



ONLINE-OFFLINE COOPERATION AND COMPLEMENTATION ANALYSIS

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Abstract

Due to the fast and efficient implementation of new purchase and sales processes, different current options through how both sides, consumers and retailers carry out purchases, are gaining importance over the last years, what generates the research of growth and improvement processes.

Nowadays online sales are moving forward by leaps and bounds though the need of keeping offline traditional system has been verified, so the strategy seeks combining both of them and with it obtaining the maximum benefit for consumers and also to ensure retailers', as well as providing an experience to customers during the buying process through the omnichannel strategy. But this paper's objective is to answer the different questions related to the online and offline connection, their origins and development, such as: 1. Which is the relationship between online and offline channels. 2. If they are complementary strategies rather than substitutes. 3. And in case of being complementary strategies, how do they work together and what profits do they award.

With this it is sought not only to understand the new tendencies and their development through the last years and to know how to obtain the higher profit with each of them but also to find out how the business development will be for the coming years depending not only on consumers' behavior facing all these new strategies but also on each industry and its possibilities.

To better understand the behaviour of these channels and its operation three companies from three different sectors whose business approaches were quite different in their beginnings, as well as their strategies, focusing on a single platform, have been chosen to analyse how they have been evolving since their starts until today, where both online and offline channels and the different platforms that compose them through which the client can interact with the brand become links in a single chain achieving the fusion not only between the different channels but also between the customer and the company.

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Chapter 1

Introduction to firms' Omnichannel Strategy. Offline and Online channels

At the beginning of the twenty first century many commercial firms adopted the omnichannel strategy to improve their customer services. With that purpose they added the online methods to the more traditional way of working, the offline one. To start studying the different questions considered, it is necessary to know first not only how the natural tendencies of demand work but also the possibilities that retailers have to find new models which can generate different and designed experiences in each case.

The origin of these questions, together with the new purchasing concepts definitions, and the way in which the different channels online and offline work, not only in an independent way but how retailers and customers deal with both of them when they are combined, is what this chapter deals with, including from newspapers and magazines opinions, to the positioning of the best known commercial firms on these issues.

1.1 Introduction to Omnichannel Retail Strategy

1.1.1. Omnichannel origins

The linking of commercial networks and enterprises at the end of the twentieth century supposed the beginning of a revolution in the way customers purchased that even continues nowadays, due to the constant development of technology and devices which allow a greater flexibility and new opportunities approaching new business.

From the known as 'traditional' sales, in which business is made face-to-face and the customer is the one visiting a store in pursuit of a specific item, the advent of internet brought the e-commerce with which a new trend started for products' marketing.

Recent last years' constant upward trend of online sales have demonstrated that a large proportion of population feels comfortable in these sort of transactions but a part of the population who does not see positively this type of purchases still remains, as they feel insecure not only with the product but sometimes also with the transaction.

The online channel has traditionally been seen as a separated way from the offline channel for selling products. Nowadays, however, many retailers are integrating both of them to try to make customers' experience become richer and improve that way, the exchange efficiency. As a result, there is a rising confluence to 'omnichannel' retailing.

1.1.2. Online & Offline's relationship

To understand how the different channels are related it is necessary to know first about how each of them work separately as a single strategy, as since now they have been conceived and developed as independent business models.

Offline model has been the unique one through which all purchases were done since a recent past in which the online model appeared. It can be said that this one was born in 1872 when the seller Aaron Montgomery Ward, conscious of the farmers' difficulty in that moment to get the products sold in the city, set up a mail order company, the Montgomery Ward. Catalogue sales had born and this Montgomery Ward Company, without knowing it had

laid the foundation for the actual e-commerce. Because, let there be no mistake, the electronic commerce is just only the application of new technologies to the catalogue sales. The amount of online purchases registered nowadays in the whole world every second is only possible due to the development of a set of gadgets that make it possible. The huge companies in this kind of trade, such as Amazon, eBay, Groupon or Vente-privee, would not be what they are today without the logistic services progress or the payment alternative means.

As any strategy by their own, online and offline offer some advantages and disadvantages which not only depend on the channel itself but also in the kind of industry and consumer's behavior in each case.

To help finding the possible relationships between both channels it is necessary first, as mentioned above to recognize and understand how they work in an independent way and also to know, as described below which their main characteristics are, and although not all of them can be considered as ecommerce business benefits in over traditional sales there are multiple plus points:

- Online sales can work during 24 hours a day, 365 days a year, with what sales can be increased without additional costs. The quantity of consumers you can reach is also bigger with this system being also capable of addressing the products, as this online model permits a higher business visibility and removes the physical barriers such as geographical ones.
- Online model also permits moving closer to the customer through many more channels than the usual ones and more broadly, and at the same time luring new customers and achieving their loyalty, as it can keep on providing what customers are looking for.
- Online model makes it much easier to show the products to the client and offer much more information, both of the trade mark and of each product (as it can offer a comparative assessment between different products, including features and prices), and at the same time it facilitates buyers a faster access to products what means saving time. Offline, on the other hand, means not only the act of moving but the effort and wasting time to get to know which one is the best offer. Details which are important nowadays and affect customers' decisions.

- Online promotions can be addressed to specific market shares making the investment more profitable in a short term. The initial and maintenance costs are also lower than in a traditional business.
- This business platform also makes it easier to implement and develop marketing strategies based on sales, coupons, sets, etc. which permit reaching the customers section to which business focuses on with what it becomes more attractive for those who the product is targeted to. This makes it the perfect solution for who is looking for a specific trade mark and is willing to establish a relationship.
- Online system allows optimizing both the time spent in business and the customer service to the employer as it permits quantify all processes in a more simple and automatic way, from products searching process, schedules, stock rotation or seasonality, which makes the strategy planning function easier as real data exist.
- Online strategy needs no space where to offer the products to the customer as it happens in offline case, in which a higher inversion is needed.

But as in every case there are not only advantages as the opposite strategy the offline one has to be taken into account as it is the one that has been working until today in a single way and it is the foundation on which online basis stands, so this new online tendency presents also certain disadvantages which must be kept in mind, in relation to the traditional sale:

- Offline strategy needs of 'face to face' which establishes links from the first moment between the customer, the product and the retailer. This creates a pleasant atmosphere that encourages customers to keep on buying.
- The rivalry in online model is much higher than in the offline one as it allows a faster searching and comparison with different trademarks and products, in an automatically way and instantly. This makes really difficult to obtain new customers in an online business and even more to sustain them over time what sets offline strategy ahead in this case.
- Nowadays a certain number of population is still unwilling to buy a product online without having seen it first and still less carry on with the transaction, since they prefer not to detail their bank accounts information in internet.

- Whenever a customer buys any product wants to have it in the right moment in which the transaction is made and purchases made online are not immediate, that means that clients need to wait until the product is delivered and cannot enjoy it immediately what can make the customer lose interest in acquiring the product.
- Purchases made in a store are much more impulsive than the ones made after an online research, where the consumer makes a far more intensive research and analyses all the options the market offers.
- Shipping charges are higher for small business volumes which is a clear disadvantage for online strategies.
- Gaining customer's loyalty is much more difficult online than offline and an online store promotion requires a higher effort. Through offline strategy purchase can become an experience, as in this case customers get to know promotions and sales at the moment they are in the store what creates a loyalty effect on consumers.
- It must be taken into account that not all products are profitable for online business so the marketing strategy needs to be valued as not every product is valid for this strategy.
- Since consumers' requirements are increasing in leaps and bounds and want everything during the purchase, such as best price, best service and a personalized customer care, competition becomes more complicated for small business against the big ones in online sales.
- Online buyer can share his own requirements each time he starts any article search and the only thing that is between finishing the purchase is the single 'click', while in a store the information is obtained through the 'face to face' communication with the seller, becoming this way a more subjective action. And this situation provides the customer the possibility of testing the product by himself.

All this information calls into question in what contexts or situations which sale strategy can be applied for each kind of product or industry. There is no doubt that they are two different outlooks in which exist different advantages and disadvantages, obviously depending in the environment where they develop.

At this point, the main questions that are needed to be ask are: does the ecommerce can or cannot be a substitute at a later time of the traditional sales network? Could both systems be combined and geared? In this case,

how should it be done? Is ecommerce a threat for the commercial net? Or a complement that used in the correct way can make the task easier?

Although the already mentioned online advantages, it is difficult to imagine physical stores vanishing, since the three weaknesses of online channels are the strengths of offline ones: 1) not being capable of interact with the product, 2) not having the possibility of getting the product instantly and 3) not receiving assessment from an expert, what makes really necessary their presence. So it is thus clear that with such a different way in which each of the strategies take profit of each issue, the solution seems obvious: both of these channels must complement each other to obtain maximum financial benefits and not substitute each other. Nowadays, retailers are taking profit of this fusion, to attract customers, from their online platforms to the physical stores with the purpose of completing their purchase experience by picking up their product, checking or returning it.

Since internet revolution arrived people believed that online business was a substitute for offline one but it is a huge error as it is important to not overlook the fact that without the traditional system the recent online model would not exist, as this one feeds itself with traditional basis as the necessity of measuring results or which is the best strategy to follow. So the way in which the greatest success would be obtained is implementing both strategies online and offline. Having the necessity in both of them of identifying the targets and choosing the channels through which the different actions will be carried out to achieve the higher profit in a global way as there are not few advantages of connecting both channels, some of them described below:

Why to be online:

- Thanks to the constant feedback, customers' good opinions create new inclusions.
- This business model creates closeness with the customer, achieving a closer communication and promotion, with which a deeper and direct relationship with clients is achieved, being even able to converse with them.
- This model humanizes the company.

- The brand presence online helps to generate statistics through different analytics tools.
- Permits the segmentation of users based on their online activity.
- Thanks to what purchasing campaigns can be more accurate.
- Creativity and actuality can be developed in a better way generating a double impact.
- A useful information exchange is generated, both for the brand that will be able to know more about their clients, and for consumers that can make inquiries related with their research in a faster way.
- Through different tools it is possible to monitoring the own brand as well as the competition's ones.
- It is also possible to measure the web traffic as well as the ROI index (*Return On Investment*) of the business.
- Social networks and internet in general are good showcase for the contents promotion.
- Another benefit of the online brand presence is to be able to attract more brand followers, who in case of being satisfied with the brand will bring new clients.
- The fact of having constant presence will generate viral marketing: Visibility – Viral.
- Acquire Search Engine Positioning (*SEO*).
- Certain online actions make possible the client's loyalty.
- User's behaviour tracking is achieved with the online model.
- Ultimately, strengthens the brand.

Why to be offline:

Offline cannot be put aside. Magazines, brochures or the own store are still relevant and will also generate business opportunities. And here is where offline rises up. Communication and marketing will still be needed, what only changes is the channel. Same message but adapted to the channel.

The search of new and different experiences is gaining space in trade business as consumers need a deeper immersion during the process that can only be offered with this offline traditional model integrating it in new trends.

Online + Offline → Success:

Both sales channels integration is an excellent way of being present in everyone's heart and mind and obtaining this way the maximum success and impact. It is the perfect excuse to attract the attention and achieve the public's amusement and thereby their conversion into clients. What traduces into higher purchases.

Therefore online and offline methods are not only not confronted but must be in the way to complement each other and to be present in the company's strategy as the traditional boundaries between both strategies are becoming day by day more and more blurred for the simple reason that customers move between both channels as if they were a single one.

It is easy to understand with an example. If a company decides to create an event to promote a product, what kind of impact it would have with the technological development which evolves each action that occurs nowadays? Would it only be seen for those who have moved to watch the live event? Totally not, as it would have an effect at all levels as the 'message' would become so widespread that it would reach almost every citizen as it would be shared through all the social networks that exist nowadays and also commented in specialized blog posts.

Hence, the conclusion is clear, as purchases should not only be neither online nor offline. Finding the equilibrium between them is the best procedure to succeed nowadays. Achieving network impact and efficacy of an offline action and vice versa means to come full circle. And it should never be understood as a battle between them, but as two complementary channels that make stronger a trademark.

1.1.3. Online ↔ Offline. Complementary effects

As already described in the section above, the solution which provides a higher profit is complementing both channels, so why restricting then to sell products just online or offline? Why not blending both of the strategies to be able to reach consumers at any point in the purchase channel? As a result of this effect a new wave is being generated, in which sellers try to complement both strategies transferring the online customer to the offline store and the other way round.

With the appearance of internet many customers stopped purchasing offline with what stores received less clients, and begun to buy only online as their products were directly delivered at home or at any other point previously awarded. This tendency made the strategies become independent one from the other, taking less profit this way from the possibility of complementing both of them. So this created also the necessity of moving online customers to the offline channel. Being possible this way for the customers to search the product online but pick up the product offline, with what a link between the trademark, the customer and the seller could be generated. This not only created new links but also encouraged the cross-selling once the customer was inside the store.

Implanting the new strategy online to offline offers results that depend on customers' behaviour in each platform o scenario and also in the type of product or article since each product has a more advantageous situation depending on the platform in which it is exposed.

A high percentage of consumers carry out a research online before ending the purchase in the store. An important fact is that those consumers who search the product online are those who waste more than the ones who do not research, what is useful to design the strategy. That is why more time and effort should be invested in satisfying the consumers' requirements, since consumer profile has changed and nowadays they are really well informed internet users who, do not care spending time on searching.

To get to know internet users' behaviour is not enough to know how they buy (the type of web browsers they use), the devices they use, the payment method or which is the period of higher purchases, but it is also necessary to know to answer the following questions: Who is buying? What is he buying? Why? Who for? Where? How frequently?

Currently, mobile devices such as smartphones and tablets are replacing computers as internet access points to make researches and transactions, in view of what ecommerce webs have migrated to responsive formats, as not having them can affect sales in a very significant way.

Online strategy has many factors on which is necessary to focus on as they have a great influence in e-commerce consumer behaviour, which are:

- Discounts, sales and promotions
- Quality products

- Price quality ratio
- Free samples
- Customers fidelity
- Good customer service
- Trust in the firm
- Product selection

Ecommerce emergence has changed the way in which internet users behave as they have become real demanding consumers, since it is difficult to find nowadays a customer who does not compare first in different webs.

What a consumer searches for, is the best price and experience, knowing that this last one becomes a different one in an online environment than in the offline one. In this scenario, what the seller wants is to sell the product to as much as clients as possible and set a price that ensures a profit margin, even if this meant sacrificing most of the margin looking forward to establish a long term relationship with the customers. But it has to be done always claiming the minimum price for that client and creating the appropriate experience for each channel, to obtain customer's loyalty in the brand.

This ecommerce combined with brick and mortar bases together developing new ways in which purchases can be made for finding new experiences, presents many advantages over the traditional purchase, not only for customers but also for the retailers, whom this allows extra sales channels, but also extend the business range offering an extra competitive advantage and a business opportunity.

Moving offline customers to online channels is not the only target as historically the objective was to draw the client to the store to obtain a purchase. This happened when the whole activity was offline, but once internet appeared, companies immediately realized its potential and from the beginning the website turned into the vital axis for a change in the strategy model. But how to attract the offline customer's attention to the online channel? The seller/customer relationship was limited and unidirectional, as brands only obtained at the best, a simple registration and poor information about the customer. With the e-commerce birth the companies expanded their boundaries, but to optimize their possibilities they felt getting customer's information was increasingly important.

Since social networks and content management systems arose, the relationship with customers changed, as the companies received more

information about customers' likes and necessities as these ones felt more comfortable with the channel. This way the brand could create not only an engagement with the customer but also interact with them to be able to adapt the product to the market. Although it was not an easy task it was necessary to guide the online consumer to the offline channel and when this was made in the proper way the results were really satisfying for both parties.

Strategy to benefit online sales over the offline ones are more obvious (shipping costs, discounts, pricing policies), but how to do it in the opposite direction? How to use the online strategy to create offline sales?

- Printable coupons or mobile: Through web marketing actions or the app mobile discount coupons can be generated to be exchanged in stores.
These tickets must have a promotion code that can allow to identify the client and the promotion to connect online with offline behaviour.
- Order codes: sometimes occurs that customers end their process just before finishing their purchase to know the real final price and some others they do not complete the full transaction because doubts appear. So to make the consumer easier to end the purchase, an order code can be generated to be associated with the selected purchase that can be used in the store or either during a phone call. This way the client has a reservation code.
- Local offers: this can be used with a good segmented data base to boost sales in certain stores. And there can be different goals, from selling (because of overstock), to raise its visibility or for a particular promo.
- Offers based on location: usually carried through mobile apps or geolocation. With it promotions and offers can be defined for customers that are close to or inside the store.
- CRM: and of course the information the company already has from its customers can be used to test promotions that can take them to their residences' and workplaces' closest stores.

1.2 Last strategy step. Multichannel to Omnichannel

Once both strategies are applied and go hand by hand, thanks to the fast development of new technologies nowadays, more demanding clients and sellers wanting to obtain as much profit as possible, an omnichannel research is being generated. While this might appear to be at first glance, the same strategy as the multichannel or the cross channel one it is not, as it is about creating an experience through the customer searching and buying process that can only be achieved by operating with each one of the devices that today can be used in online purchases. In short, omnichannel strategy searches the ability to create an integral, organic and continuous experience. Since until now clients' experience with firms remained incomplete and fragmented with multichannel strategy as it depended heavily on the channel choice or device the customer would choose to access.

The most precise definition found is in Omer Minkara's report (Aberdeen Group, October 2013): *"Strategic initiatives designed to generate client experiences perfectly synchronised through their entire life cycle, using different channels (telephone, social media, web, e-mail...) and different scenarios or access devices (stores/ offices, computers and smartphones). The goal of these programmes is to ensure that the context and experience, through any channel or access point, will form part of a perfectly designed experience and are focused on providing contextual coherence in each touch-point or interaction with the client within life cycle"*.

But with omnichannel strategy and thanks to all the channels integration, the information can be mutually shared and jointly developed, as this way the client-company relationship nourishes moving it closer to human relations. With this, it is sought not only to create realistic interactions, generating that way lasting memories, but also to learn through customers and to have enough information to plan, contextualise, satisfy and succeed in near future with each one. That is why, while multichannel means to relate with clients through many different channels but in a unitary way, and cross channel is the way in which companies relate with clients through different channels but for a single specific process as a trade sale, omnichannel strategy means creating an homogenous client experience, without fractures, that can be analysed, modified or completed through any of the existing channels as a

part of the process; an individualise experience for clients, adjusting to each of their preferences. It is also about making the customer get involved in such a way that has decision capacity during the process, being able that way to take part in fields such as the product's own development.

Nowadays technology is enough developed and well prepared to implement an omnichannel strategy. And customers are willing and desirous of having as many choices as can be possible to implicate with the company and to be able of getting as much information as possible about the brand, knowing about new proposals and buying the products. Payment via mobile phone, social networks, e-commerce, contact centres, smartphones, web, are in a mature phase which allows them to be the omnichannel strategy base. And although the customer will always be the most important element, since this customer is becoming more and more technological, without the appropriate technology, the relation could not be possible in the way clients are demanding today.

Today companies that by now have already introduced the omnichannel management strategy have obtained by this time results and there are three critical key aspects which have been able to improve with it:

- Improvement in customer loyalty
- Improvement in customer's margin
- Increase of Customer Lifetime Value

(Source: Aberdeen Group (May, 2013), According to Year-over-Year results).

Omnichannel is therefore, interaction, channels, relations and mobility but above all, client experience. The target is achieving an inventory as much flexible as possible to fulfil demand, independently from the channel it comes from, and that way reach an efficient omnichannel strategy what means obtaining an equilibrium between the organisation in the deliveries to a store and to ecommerce in a single distribution centre when both of channels share the same inventory as it is important to know if both of them can equilibrate each other.

The search of compliance with all channels is motivating the use of most sophisticated systems to be able to guarantee the efficiency through the whole process. But as in every situation, to understand the effects of each channel is required to get to know how the global system is working and where is necessary to focus on, to continue flourishing.

1.3 Complementary strategies: the new strategic concept

1.3.1. O2O

The e-commerce world has evolved since it started. Once both channels have been integrated and the omnichannel strategy implemented a new business concept appears: O2O (*Online to Offline*). This is an instrument that allows the implementation of omnichannel strategy linked to both online and offline models into a whole one, achieving the experience objective during the purchase process, as the different channels integration and complementation seek getting the profits that each of them provide.

This strategy appeared in United States but it has developed successfully in the whole world and is in China, in recent years, where the O2O term has come up with strength. The ultimate objective is to draw online consumers to the stores to create more selling opportunities and reinforce the existing bonds of customer loyalty, confidence and security between client and company. The way of accomplishing this goal is allowing the customer to make the purchase online: search and compare different products, inform himself, decide and make the payment, although it will be himself who will pick up the product or consumption, in case of being a service, in the proper brand establishment itself. Subsequently, feedback can also be done online.

The strategy key is offering advantages to customers just by buying this way, such as, services or special discounts to which customers could not access through the simple and traditional virtual shopping. A lower price than the one for normal and traditional online shopping also would be offered to consumers, due to the total shipping costs can be cut down, making it this way a lure for clients. Internet would not only be important to create sales in physical stores but will also become an essential means to search new potential customers, focusing the promotion strategy and making the business visible. The increasing of internet inclusion around the whole world through the last years, has lead the ecommerce rapid growth. Today internet offers availability, convenience, even more choice, and O2O method also adds customer's confidence and the added value, among other issues. As previously explained, it is really important to know how to seize all the possible channel opportunities and it is important too to analyse the results as a whole, independently on the channel they come from, regardless of the channel selected.

Online to Offline integration in omnichannel strategy makes necessary to take into account some aspects that before didn't mean to be considered due to with this new strategy the customer has now the possibility to pick up the product in the store. As stores will be used now as distribution nodes the store requires total inventory visibility, what create some questions such as where and how assign inventory, which stores set up as delivery centres in case there are more than one, how to divide deliveries between stores and distribution centres, for example. All of these questions largely depend in the strategy to be used in each case and the priorities and rules established for each type of business. To achieve successfully this strategy there are many questions that must be answered, such as:

- Will the inventory be shared through the different channels?
- How the stock will be purchased?
- How the demand of each channel will be determined?
- How will the available stock be arranged?
- Is there space enough in the store for stocking?
- How is the picking going to be made?
- Can customers return any product at any place?
- Who pays the shipping costs?
- Which is the seller priority: picking efficiency, compliance rate, customer service, shipping costs.

All in all, this strategy allows a great leap to traditional business by entering trade networking, undertaking ecommerce projects, as well as creating opportunities of setting a physical facility to companies that have already conquered online business (reverse O2O). Both of these situations have the added difficulty of having to integrate the management systems (for billing control, charges and payments) or the on and off inventory. The advantage of doing so is that this way no interpretation of online channel (as one which needs its own tools as counting with a different catalogue for each procedure or a separate space in the warehouse) will be necessary, but it could be managed naturally.

With the actual life pace, the traditional purchase process, means a time and money investment that anyone neither can nor want to face. A high offer and long queues make that necessary goods and services purchases consume too much energy. Nowadays purchases are expected to be fast and easy. Through O2O purchase efficiency is achieved (time is optimized compared with traditional purchasing (for example through internet search engines), agility

(the purchase can be picked up after 24 hours, without practically waiting) and the security of acquiring the product when the client is available (while in online purchase and unless a picking up point is offered, the product will only arrive if the client is in the residence). On the other hand, comfort of buying wherever the client wants and at their own pace without worrying about closing time or the bother of finding other potential buyers, must be taken into account.

Furthermore and as it has already been said, consumers have always liked to compare products and offers, and internet makes this really easy. That is the reason why web pages where to buy in a secure way or mobile fees depending on consumption, are succeeding that much. Also we find ourselves in the heart of social networks era where everything is susceptible of being commented and shared. General trend is to share also what happens related to the purchase process, this way, the consumer can share the shopping experience even if it is good or not, involving the rest of the population in the shopping process.

On the other hand, once the purchase has been completed, the aim of the marketing and sales managers' objective is to get the customers back. But this also entails customers feeling satisfied with the purchase and whenever needs buying another similar or related product, first refer to the firm. Therefore the brand must remain in the customers mind to be able to recognize it among all the others. Customers' loyalty is built upon a range of issues on which companies must work to keep customers:

- Demonstrate from the first moment the advantages of being loyal to a firm.
- Personalisation is the key in all the channels.
- Focus on quality customer service.
- Provide freedom to purchase.
- A cohesion image between on and off is needed.

In order to achieve all points, it is totally necessary to measure from both the online and offline system; and offline with the same detail as online. To do so the essential thing is to digitalize totally the products in the ecommerce platform and that way despite the initial costs and the time that takes developing the platform it would be considerable more economical in a long term. Also, the automation and speed of process would be obtained what means more comfort in sales. It is important to add to the customer

advantages the ones related to the product testing. As in a clothes store, customers could have the possibility of trying on clothes in the same store and changing size in an easy way or even change their mind about the purchase and choose a different product, without needing to return the product, or waiting until it gets to the store.

On the other hand, due to the retailers also get high profit of cross selling once the customer is in the store, challenge key is knowing which products are perfectly suited to offer online and which ones are not. As there exist products which attract more clients to the store than others. And even though the online ecommerce price has advantages over the offline strategy, it entails the risk of running out of stock as the customer would leave the store after checking a lack of stock, what damages the trade mark since it does not simply mean, however, one less customer but by word of mouth there would be less customers unwilling to choose this option and waste this way their time moving to the store. This is not the only reason, as there are products which are not appropriate for BOPS strategy. These are the products which generate a significant store attraction since in this model clients can know which products are available in store and as if they are no more available, clients would not even go to the store so not only the specific product purchase, but cross selling opportunity would be lost.

1.3.2. Multiple modalities

Nowadays although business tendency is the O2O model there is not a single option in with both strategies can match (*ROPO, Research Online Pick up Offline*), as complementing both online and offline generate multiple options.

Initial modalities

Before internet appeared business strategies already were put into practice. Models used today are based on those strategies but the progress of new technologies has generated a continuous development and causes new ways and business options each day. To understand this evolution it is necessary first to expose some traditional business models.

- **Long tail business model**

This concept, coined by Chris Anderson in 2004, was one of the most innovative business models in those years. The model characterizes because it offers a broad range of products with low demand, but that can become successful and profitable business that drive profits by a huge amount of small sales.

The traditional model, which was regulated according to the “Pareto Principle”, the 80% of the population buys the 20% of the articles, makes unprofitable those products which are less sold due to the high development costs, storage, distribution and commercialisation. So production and commercialisation were limited by companies to the best-selling goods to save costs, which means the 20%.

But with internet arrival new business models appeared consisting on having a wide range of low demanded products, what turned into a profitable business due to the world wide coverage, creating higher invoices.

This kind of business model is specially interesting with software products, (Google Play), digital ones (iTunes) and also with physical products (Amazon, eBay).

- **Bait and hook or tied products**

The business innovation that this model brings up consists in offering a basic product at a very low price, even sometimes with losses for the company that is offering it (bait) and charge with high prices the associated product, the spare parts or services (hook).

An example of this kind of business are the phone companies which sometimes offer the phone as long as the client signs a compulsory permanent contract. The client feels this way that the phone is a gift and is taking benefit from this offer but what really happens is that the company is the one taking advantage as the company gets back the investment and even gains money for the service.

▪ **Multilateral platforms**

Multilateral platforms are based in business models that gather at least two different client groups but interdependent at the same time. This one is only interesting when both parties find value in the proposal. These platforms provide the channel through which the different groups can interact and therefore its value increases with the number of users.

An example of these type of platforms is any web where free high quality contents are offered to a large number of customers. The incomes of these webs are made from the advertisements of companies which want to gain leverage from the traffic generated in the websites.

Google is an example of an innovative business model, where the most are users who do not pay but generate earnings due to a high percentage of companies that pay for different services such as Google Add Words.

▪ **Affiliation business model**

In this type of model, the company that want to sell a product or service establishes some form of reward to providers, companies or anyone who can attract new customers or new orders of their products. They are based in commissions or rewards.

An easy example of offline affiliation are the organized trips that bring tourists to a specific point (restaurant, store, craft manufacturers) just because they receive a commission for each new customer. With the advent of internet, the innovation in this business model has also arrived and works also with the online channel. A website owner rents space in the web allowing third parties to place their own advertisements. They are based on the traffic quantity which they are capable to send to the clients' website.

It is really important to measure 2 rates in these models:

- Number of users registering in relation to the number of users that enter the website.
- Number of users that purchase in relation to the number of users that register themselves

In any case new clients acquisition costs need to be lower than the profit obtained from each one for the model to work, if not these kind of models

are doomed to failure as for example in the case of Ono or Bonusralia (shopping network without advertisements that rewards its users. It was created in 2013 but although the idea is working successfully for other sites as Lets Bonus or Lyoness, inefficiency in management caused its closure).

As showed in the different examples described above, even the traditional models can operate nowadays, evolving themselves to work hand in hand with the development of new technologies, but always according to the original bases.

Future modalities. New tendencies

Having the omnichannel possibility nowadays there are plenty of different ways in which start the purchasing process. But which one should the customer choose? As mentioned above a new concept has arrived 'ROPO', *Research Online Purchase Offline*, but why not the other way round? *Research Offline Purchase Online*?

So this new modalities are gaining force:

Webrooming (online research and physical store purchase)

Vs.

Showrooming (physical store research and online purchase)

But which one imposes? Does it depend on the sector? Data obtained from the Urban Land Institute show that on average the 29% of Millenials, (young people aged between 18 and 35 years old), choose the Webrooming facing the 10% of them that choose the Showrooming, going in electronic sector even as far as 50% use Webrooming were they spend an average of half an hour a day (Source:ULI/Lachman Associates Survey, January 2013).

But Showrooming which consists in customers using their smartphones to check prices during their research in a physical store, is day by day becoming a more common practice. This phenomenon worries traditional stores as what could be a potential consumer uses the facilities and checks the products and ends up buying the products online. Nowadays information is so available that using a simple smartphone consumers are capable of accessing in an immediate an easy way to it. According to a Google report about consumers that make researches through the smartphone, a 14% of

them does it only to compare prices (Showrooming), a 28% to search extra information and up to a 20% changes his purchase decision.

Retailers do not like this behaviours as they work as shop windows for other stores and some of them have arrived at the point of getting paid only for a glance over the merchandise, to avoid Showrooming. But, this is, doubtlessly, an awful strategy that not only goes against consumers' interests but also against their own. As Showrooming is a new consumer behaviour it is necessary to adapt to it instead of fighting against it. Where many retailers find a threat, another ones see opportunities to grow.

In recent years, the companies are making significant efforts to develop a strong online presence and to create ecommerce platforms as both purchase strategies (online and offline) complement each other. ROPO strategies are not enough due to the speed with which everything develops. So new different ways of combining both channels appear constantly as retailers are threatening the adverse scenes as they realize that buying in the traditional way will always satisfy the consumer's necessities of human contact, instant satisfaction or shared experiences, and therefore the stream of new format, technologies, abilities and products that are captivating clients in every point of sale around the world. So instead of witness the '*Retail Ruin*', a '*Retail Renaissance*' is in process and nowadays many different ways in which this strategies are integrated to gain a higher benefit exist and they continue developing and appearing new forms, some of them detailed below.

- **Off=On**

How can offline strategy have the same benefits as online strategy.

Online has now become more easily accessible even when being in an offline scenario. To retailers this means a world where consumers can accede to what most pleases them about ecommerce such as convenience, the possibility of knowing other consumers' experiences, total transparency in prices or almost an endless offer. This provides higher sales and consumers' satisfaction would be improved reaffirming that what they are buying is the best, at the best possible price. The integration allows to find a product in a store and check its price instantly online and if it is found that it is cheaper online than offline it is possible to buy it online and pick it up in store saving money from the purchase offline (*Source: The Consumerist; Expectation economy*).

This might seem extravagant but the following statistics might be taken into account:

8 consumers out of 10 research their purchases online. While a 42% researches and buys online a 51% researches online and buy in store (Source: Google & IPSOS OTX, September, 2010).

Multichannel consumers who receive information through more than one channel before purchasing (store, online, mobile, catalogue) expend an 82% more in each transaction than a customer who only buys in store. (Source: Deloitte, December, 2010).

Ecommerce conversion marketing (number of customers who have completed a transaction divided by the total number of website visitors) have been round a 2-3,5% while physical store conversion marketing for fashion retailers have been rounding the 20-25% (Source: Verdict Research, May, 2010).

Sales value of ecommerce retailers expect to reach \$414 by 2018. (Source: Retail Next)

A 40 % of U.S. customers that have a smartphone, a 70% use them while purchasing in store (Source: Google & IPSOS OTX, April, 2011). As the 71% of shoppers believe they will get a better deal online than in stores. (Source: Selz)

A 74% of smartphones consumers make the purchase after using the smartphone. From them a 76% has purchased in store, the 59% online and only a 35% has buy using the smartphone. (Source: Google & IPSOS OTX, April, 2011).

Barcodes phone scan (including the traditional ones and the QR ones) increased a 1.600% globally during 2010 (Source: Scan life, December, 2010).

▪ **Retail Safari**

How the experiences continue ruling over other ways of retailing.

Going shopping is a leisure activity, a way to relax, a source of entertainment or an opportunity to share and have fun with friends. Since when online and offline move in the same direction the buying process has become an activity in which the client seeks not only to acquire a new product but also seeks to

relax and entertain himself and also to experiment different experiences. In fact when consumers go shopping are looking to experience that they cannot feel through online shopping such as testing products and knowing the feelings they transmit them before making the purchase, learning to use the product or the opportunity to purchase exclusive products.

This is one of the main reasons why the number of stores is increasing nowadays in a world more and more online.

94% of total retail sales are still generated in brick & mortar stores. (Source: Retail Next)

By 2016, 89% of companies plan to compete on the basis of customer experience. (Source: Retail Next).

- **Citysumers**

Consumerism's future is the urban one and urban culture is the selling point globally.

City dwellers have more available incomes, more time and nearly unlimited alternatives to spend it.

Just some statistics:

Retail sales in China in July 2011 reached a 17,25% reaching 1,4 trillions of CNY compared to the previous year. Urban retail sales increased a 17,3 % up to 1,25 trillions of CNY, while rural retail sales climbed to 16,4% only up to 191,1 billions of CNY (Source: National Bureau of Statistics, August, 2011).

Between 2001 and 2010, retail sales in developing markets amounted to 35% of total global sales which rounded the 42% (Source: AT Kearny, June, 2011).

Asia's retail sales were expected to grow from 5,4 trillion USD in 2010 up to 8,5 trillion USD in 2014. Retail sales in North America and Western Europe in that moment were supposed to be of 4,5 trillions of USD and 2,7 trillions of USD respectively (Source: PWC & Economist Intelligence Unit, January, 2011).

As described before many different options are explored by retailers to find the way in which get the higher profit, depending not only in the channel used but also in the type of product and the target customer.

The following examples show how new tendencies appear constantly to try to generate an experience during the process not only to attract new customers but to gain their loyalty.

1.4 Trends examples

1.4.1. Bringing the best of online to the real world

JC Penney

In 2011 this U.S. warehouse developed the 'findmore' service in 120 stores all over the United States. The touching screens allow customers to see the whole catalogue online, check the stock levels in local stores, share products with friends or scan bar codes to get extra information and also suggestions of complementary products.

Tesco

Financial Times informed in 2011 that the supermarket was carrying out a pilot experience with free wifi in store, allowing consumers check prices online and read product's opinions. Nordstrom, Sam's Club and Home Depot in United States already offer very similar services in many stores.

Google

In 2011 Local Product Availability was introduced. The app permitted clients know what products are stocked in the local stores involved.

SingTel

This mobile phone provider opened its flagship in Singapore in 2011. The external glass walls have interactive touch digital screens embedded what means that the store is really opened 24 hours per day the 7 days of the week.

1.4.2. Be everywhere: offline and online

Burberry

In 2011 during London's fashion week the brand, provided live streams during the parades of the fashion weeks to its customers around the world.

Of course, not only the physical retailers are the ones that take advantage of new selling channels: ecommerce brands do also need achieving consumers everywhere.

Home plus

Tesco's Koreans chain, launched the promotional campaign through which users could make their purchases by using their smartphones while waiting in the subway platform as the company had created some virtual stores. During the campaign Home plus sales rised a 130%, and more than 10.000 sampled the stores.

1.4.3. Buy online, pick up offline

Walmart

'Pick Up Today' was launched in 2011, as explained above a service that allows customers buy online and pick up offline and in this case it could be picked up the same day.

Chronodrive

The French supermarket has designed a pick up store where consumers can go to pick up their online orders.

Real

Buyers can take advantage of Drive's retailer with the click and collect service. As after buying online, consumers can pick up their vegetables at a predetermined hour directly in store, only two hours after ordering the product.

Bed, Bath & Beyond

This lifestyle store carries the pick up in store concept even further with their service "Shop Your Local Store & Pick up Near Your School". This program allows students to provide the basics for their rooms in any of the stores the company has and receive them in a branch next to University, for them to pick them up, avoiding this way delivery costs and making easier moving to University.

1.4.4. Rewarding visits

Having buyers permanently in internet there are lots of new and effective options to draw consumers to stores:

Shopkick

It is an app which uses geopositioning to distribute reward points “Kickbucks” to consumers that check-in in stores. It works through devices that recognize automatically the buyer when enters the store.

7Eleven

Has joined Paramount and Foursquare in a campaign that encourages users to check-in in stores to win prizes. Each check-in buyer number 88 wins a free movie ticket, each 88.888 wins a ticket for a zero gravity experience and the 888.888 will win the great prize of a sub-orbital spatial flight.

1.4.5. Hyperlocal deals

AT&T

The Company presented in 2011 the pilot experience ‘ShopAlerts’, a service that sent optional offers depending on the position of the customers.

O2

‘Priority Moments’ service from the telecommunications operator allows the network users accede to exclusive offers and according to their location. The service also includes gifts with purchases and discounts.

IPhone

‘QuickerFeet’, an iPhone’s app launched in 2011 and developed in Australia permits potential clients be alerted by sellers about different promotions that are made in their same area.

1.4.6. More than a store

Duane Reade

Opened in Wall Street a flagship sale point. As well as a pharmacy and a doctor, the store also has a manicure and hair salon, virtual makeup stands and safe mobile phones recharging stations while purchasing.

1.4.7. All of the world is a shop

Retailing is everywhere. That is why many different combinations of stores and activities can be found:

ES Ediciones

The Spanish editorial launched 'La Pizzateca' in 2010. It offers a 'letter's menu' which includes a piece of pizza and a book for a low price.

Zoc and Urbana 47

These restaurants offer food based on fresh and local product. Both of them are filled with an eclectic selection of tables and chairs and a modern and vintage decoration and everything can be bought by the clients.

Radar Hair and Records

It offers hair styling services as well as clothes, accessories and vintage vinyl records, what entails customers seeing the store while at the same time takes a haircut. This store also holds nocturne events such as concerts, art exhibitions and fashion catwalks.

1.4.8. Tryvertising

Is the coined expression to design stores in which customers can try new products.

Sample Central

A Japanese store announced in 2011 that a new sale point would be opened in Budapest. The store works with a members' policy, where they can try new

products in store or even at home as a compensation for filling some questionnaires.

1.4.9. Please *do* touch the merchandise

Sony

The new concept store puts the products on the tables and encourages customers to try experiment with them.

Dixons

Launched 'Black' in 2010. This concept searches to copy the fashion brands with "collections" that change every season. The store also has a 'Know-How' area where buyers can also learn some tricks and advices.

Gomus

A music brands company that provides a different buying atmosphere using music, through inserting in clothes RFID labels, so when a customer is trying it on a song selected to mix and match the different feelings with the clothes will sound.

C&A

This brand to connect offline and online by placing on the slingbars devices with Facebook's 'Likes'. That way they can count the total 'Likes' of each product and this also helped consumers to decide for a garment.

1.4.10. Trying out first

SnapShop Showroom app

This app allows buyers to try out of a great variety of furniture in their own houses using augmented reality. Users choose a product and overlap the image in their own houses through their electronic devices. There also exist links to buy make really easy buying the furniture through the app.

1.4.11. In-store classes

Consumers nowadays do not want to only buy but also want to try. An opportunity for brands that can help customers and meet their expectations through the experience.

Cook and Coffee

In this sale point customers can learn the coffee's history from a specialist, try different combinations and also find out how appliances work including food processors or espresso coffee machines. And customers can also assist to cookery workshops.

Sony

During the Photography World's Fair in 2011 the Company conducted four photography and video workshops made by professional photographers from all around the world.

1.4.12. In-store exhibitions

Dolce & Gabbana

In 2011 debuted with its project 'Dress Me Up' during the Milan Design Week where a fashion blogger selection met to dress its showcase. Additional events were held in London and Madrid during 2011 and live streams were provided in all of them.

1.4.13. Limited locations

Already years ago was detected that ecommerce clients wanted to experience the store buying process. So selling a product in a single location would generate an enthusiastic participation, press releases, state histories and premium prices. It was even better when the product had to do with the 'Urban Pride'

1.4.14. Technological retailers

Pizza Hut Subconscious Menu

Could it be possible not having to make a decision again? Now it is in a Pizza Hut in the UK as a digital menu tracks the eye movements to determine which pizza ingredients the customers subconsciously desire.

Tommy Hilfiger Digital Showroom

The global fashion brand launched a digital sales room at its global headquarters in Amsterdam in 2015 – the showroom is centred round interactive screens which truly blend the digital and brick and mortar experience.

Walmart Pay

To make each day easier to buy, Walmart has launched a system, with which customers can use their smartphones to buy in-store. This is all about omnichannel distribution.

St Helen's digital clothes rail

These department stores in the UK through clothes rails in their brick and mortar locations indicate customers the clothing lines which are getting the most shares, comments or likes on Facebook and Instagram.

Virtual Reality Shopping

This virtual reality service made through both Online Service Retail partnered with VR technology Oculus Rift permits wearing the Oculus headset and that way instead of simply seeing items on a computer screen, retail shoppers immerse in a 360° shopping experience.

Retail renaissance will have many winners, from retailers that take in store online buyers, retailers that can offer convenient experiences continuously, retailers that join the urban consumer culture at the same time they evolve all around the world and of course the consumer himself. Even though each channel has its own characteristics and must be used in a correct way (such as price policies or specialized services), both channels must be working together to take advantage of the synergies that exist between each other.

Nowadays many different strategies can be used to achieve a real complementation between both channels as it has been described in the examples above such as the following ones:

- Printed or television advertisements which include a link for being mentioned in social networks and that invite viewers to visit the online channel.
- QR codes with links to web promotions with which a continuous traceability can be made.
- Mailing as a way of keeping offline users abreast of new services offered, or even being also a way of achieving consumers to become online ones.
- The use social networks to introduce their novelties which can be found offline and provide launch wide publicity.
- Create online bonus value to use in physical stores or the other way round.

But entrepreneurs have realized that users are willing to buy in the traditional way being able that way to enjoy the experience, what cannot be achieved only through the online strategy. This does not mean that online is not working any more but it is not about claiming an isolated online or offline option. Is the blending of both of them what produces the higher profit.

Probably offline strategies will be used when market is not online such as in the construction sector where publishing in an enshrined magazine can make more sense as this way it is certain that target audience is the one receiving the advice. Some other offline strategies considered applicable for acquiring new customers are described below:

- Through an advertising feature a wake-up call can be made to obtain a report. The goal is to obtain the contact details from the interested customer being able to trace it afterwards. It is recommended to combine online and offline and direct the customers through a link in the printed edition to a web where users could subscribe.
- Deliveries through regular post but only if the company has already a good computer database also work. This should be used with a clear call to action where consumers are being invited to register in a webpage. The advantage of these kind of strategies is the surprising effect of the standard posting nowadays with what the product would be standing out above the average.

- Newsletter. Today most all of them are online but they can also be made offline as that way is how all started. Offline of course reduces costs but it must be considered as it is a great way of maintain contact.
- Social events or introduction sessions. Introducing this strategy allows to increase sales exponentially. When proper technique is mastered, events become captivating and with offline sales in these group sessions great results can be achieved.

As it can be seen integrating both strategies online and offline can multiply the campaign effect but obviously purely online strategies must not be neglected such as SEOS, Social media or Add words. 90% of managers do not call into question their companies' current business model although this is what adds value to customers and what makes the difference between brands. In the early twentieth century, a company's business model was rather simple. The company produced a product or performed a service and charged for it. Society evolution, uncertainty, the rate of change, internet, all the technological advances, new requirements and therefore new opportunities, has forced companies to develop innovate business models, as alternative modes of generate incomes.

1.5 Following chapters' approach

The world retail is changing by leaps and bounds and due to this, companies must adapt or even be ahead of new trends and technologies to keep up offering what clients want, not only to be able to attract customers beating competence but also to retain those who already have become customers and maintain their loyalty and if possible make them part of the company, through making the process and experience an ally not only for making them feel part of the brand but also to bring more dynamism to the process and this way obtain information about their needs.

Chapter 2

Companies' O2O (online ↔ offline) conversion processes

In this chapter different companies' cases are raised based on the different sectors in which they were started and the O2O process that are initiating, have initiated or are in a permanent application which leads to new forms constantly. Different companies' performance will be explained since there beginnings. The reason why they have been chosen is not only they are important ones because of their size, capacity and development over the years since their creation, but because they represent an important example of what companies are able to do to find customers' satisfaction and how they have made changes in their strategies to keep afloat in times where the lack of adaptability and innovation means death in business, although at some point in business life, the company would have been the number one in its industry.

2.1 Grocery-sector company: Walmart

Walmart is a multinational corporation created in the United States which operates department store chains. Founded in 1962 by Sam Walton still continues being a family company as the Walton family has the holding of the 48% being nowadays one of the most valuable companies in the world.

In 2009, 51% of its sales (258 billion U.S. dollars) were generated from the grocery business.

This Company has nearly 11.000 stores operating under 65 brands in 28 different countries and has ecommerce websites in 11 countries. This presence in so many and so diverse countries have given different results in each case. And while in the United Kingdom, South America and China it has had a great success, in countries such as Germany or South Korea it has failed.

2.1.1. Walmart's origins

In 1945, Sam Walton, a businessman, bought a branch of Ben Franklin Stores, owned by Sam Butler Brothers. He wanted to sell products at low prices to be able this way to obtain higher sales volume at a lower margin, although his competitors thought this idea would never work. He launched this strategy as a campaign which benefit the consumer. However, he had setbacks because both the rental price and the purchase price of the branch were unusually high, but was able to get suppliers with lower costs than those used by other stores. He transferred what he saved to the products' prices. This way sales rose a 45% in the first year, and continued rising through the following years. But when the local contract expired, Sam could not reach an agreement to renew it, so he opened a new Ben Franklin franchise in Bentonville, Arkansas, called "Walton's Five and Dime".

On July, 1962, Walton opened the first WalMart Discount City store located in Arkansas and during the first five years, the company expanded to 24 stores across Arkansas. Already in 1968, opened its first stores outside Arkansas, in Sikeston, Missouri and Claremore, Oklahoma.

2.1.2. Walmart nowadays

Internet effects over Walmart

Due to Walmart's inclusion in the online world the company has needed to develop methods and systems which made the difference from the other retailers' processes since worldwide online competition is not only much stronger than offline one but also more aggressive, what forces to specialization.

One of these latest models is 'Walmart Pay', a payment system based on QR codes integrated into smartphones that allow customers to make the transaction through their phones.

[1] Walmart prepares to enter mobile payment business

<http://www.nytimes.com/2015/12/10/business/walmart-prepares-to-enter-mobile-payments-business.html?mtrref=query.nytimes.com&gwh=1AB373846151151CCF6700D24FB97810&gwt=pay>

"Soon, customers can leave only with their keys and smartphone to shop at their local Walmart," said Neil Ashe, Walmart's e-commerce chief. "It's fast, easy and secure."

But this has meant an investment and hard work since 2012 to be able to deal with other retailers which are direct competitors.

"Walmart's new payment system will be a further blow to MCX, which also involves Target, CVS and 7-Eleven. Mr. Ashe said Walmart remained committed to the project but declined to give any updates on when CurrentC might become widely available.

And in a change of strategy for Walmart, its new payment app does not seek to bypass credit card companies. Walmart Pay instead acts more like a gateway to a variety of payment options, including credit cards and even other mobile payment systems."

"Daniel Eckert, senior vice president for services at Walmart U.S., said Walmart Pay's compatibility was its strength. Apple Pay, in comparison, works

only on the iPhone 6 and models issued afterward, while Samsung Pay works only on the Samsung Galaxy S6 smartphone.” “When you look at these things, the customer has constraints put upon them, and that creates frictions and seams in the shopping experience,” Mr. Eckert said. “But Walmart Pay works with any smartphone and almost any payment type.”

But not everything is always positive since different reactions exist as well as indirect effects due to the strong expansion experimented by the company. In this case it is about the bad press generated around the company due to the imports made from China searching the cost that gives the higher margin being able this way to offer the buyer competitive prices which attract clients to the stores or websites. The quantities this company works with nowadays mark the difference and U.S. managers disagreed with this politics. It is not possible to please everyone.

[2] Walmart’s Imports From China Displaced 400,000 Jobs, a Study Says

<http://www.nytimes.com/2015/12/09/business/economy/walmart-china-imports-job-losses.html?mtrref=query.nytimes.com&gwh=EAFA00B6507C3C3BEC62E9E49D791D38&gwt=pay>

“Walmart is one of the major forces pulling imports into the United States,” said Robert E. Scott, an economist at the institute and the study’s author. “And the jobs we’re losing are good-paying manufacturing jobs, which pay higher wages and provide better benefits.”

“Walmart has long been the subject of criticism from groups like the Economic Policy Institute over its role in flooding the United States with cheap imports. Under pressure, Walmart in 2013 announced that it would increase its sourcing of American-made products by \$50 billion over the next 10 years.”

Executive management strategies

The company was set up as Walmart Stores, Inc. on October, 1969. In 1970, opened its main office and first distribution centre in Bentonville, Arkansas. It had 38 stores in operation and 1.500 employees. It began trading as a public company on October 1970, and soon was listed on the New York Stock Exchange (NYSE). In 1971 the company was already operating in five states (Arkansas, Kansas, Louisiana, Missouri and Oklahoma) entering in a new one (Tennessee) two years after, and in 1974 was getting into two more (Kentucky and Mississippi). When it expanded to Texas in 1975, Walmart had already 125 stores with 7.500 employees.

In the 80's, Walmart continued its rapid growth, and at the time of its 25th anniversary, in 1987, already had 1.198 stores operating. That year also was marked by the inclusion of the largest private satellite network that linked all the operating company units with the central office with an investment of 24 million U.S. dollars, enabling this way the main office to track both the inventory and sales and instantly communicate with their stores.

In 1988, the first Walmart Supercenter shop opened in Washington. Thanks to these supermarkets, Walmart surpassed Toys "R" Us in toy sales in the late 90's. The company also opened overseas stores, entering South America in 1995 with stores in Argentina and Brazil; and Europe in 1999, buying Asda in the United Kingdom.

In 1998, Walmart introduced the "Neighbourhood Market" concept, now known as "Walmart Market", with three stores in Arkansas. And in 2005, the company controlled about 20% of the grocery industry retail.

When Walmart quickly became the largest corporation in the world, many critics were concerned about the effect the stores would have on local communities, particularly in small towns with many small and medium enterprises. There have been several studies about the economic impact of Walmart on small towns, local businesses or jobs. In one, Kenneth Stone, an economics professor at Iowa State University, explained that a small town can lose almost half of its retail business ten years after opening a Walmart store. However, another study compared changes that small towns had faced in the past (including railways development or the arrival of shopping malls) and concluded that shop owners who adapt to changes in the commercial market can thrive after the arrival of Walmart. A subsequent study in collaboration with Mississippi State University showed that there are "both positive and negative impacts on existing stores in the area where the new Walmart Supercentre is located.

In the aftermath of Hurricane Katrina in September 2005, Walmart was able to use its logistics efficiency to organize a quick response to the disaster. An

independent study guided by Steven Horwitz of St. Lawrence University found that Walmart, had used its local knowledge about supply chains, infrastructure, decision making, and other resources, to provide emergency supplies and that way was able to reopen its stores before FEMA (Federal Emergency Management Agency) began its response.

But Walmart's development did not stop there. As its founder could not cease in his efforts to continue seeking the consumer's higher profit for both product and price.

Sam always attributed the rapid and strong growth of the company not only to low costs which of course attracted customers but also because of the partners, as he trusted and depended on them, to provide a shopping experience to customers that made these ones return again to the store. Sam policy consisted in making his partners part of the company and its success, and this is what he firmly believed that grew the company the way it did.

At the same time the business grew the owner's aspirations rose, so after experimenting with new business' formats such as Sam's Club and Walmart Supercentre he introduced new technologies to continue renewing the company and adapting it to the Internet revolution and thus, get the client service and the added value that he was constantly searching. Everything that helped creating and developing the company was based on these ten points (*Source: Sam Walton's book: Made in America: My Story*):

- Commit to your own business.
- Share your profits with all your associates and treat them as partners.
- Motivate your partners.
- Communicate everything you possibly can to your partners.
- Appreciate everything your associates do for business.
- Celebrate your success.
- Listen to everyone in your company.
- Exceed your customer's expectations.
- Control your expenses better than your competition.
- Swim upstream.

But the company needed to be adapted to the technological development and the new era so, as mentioned above, in 1987 the company installed the largest private network of satellite communications in the U.S., connecting this way all company's operations through voice, data and video. This supposed not only an advance for that time but a large investment, and

already in 2.000 Walmart entered the new millennium being able to offer customers a consistent shopping experience whether they were online or offline, in the physical store or on a mobile device. With the online implementation the company could already compete with other large companies because otherwise, despite the success demonstrated throughout each year since its creation, a new era had begun and although it was an already established company with a clear defined offline service it was necessary to evolve to be able not only to preserve the success achieved since its creation but also to keep the customers accumulated over many years and to try to attract new ones. This is the reason why in 2.000 'Walmart.com' was created, to allow customers to buy online.

As it has been explained in the first chapter, online strategy on one hand improves the shopping experience of consumers, but being online also means more competition as the difference of getting a new customer or just being able to maintain a regular customer who ends up making the purchase in the company itself is a simple 'click'. This is why the company did not stop at that point, and following trends in 2007 'Walmart.com Site to Store service' was released, allowing customers to make a purchase online and pick up the goods in the store.

This way, through staying within the trends and the technological innovations, trying to create the experience sought today when making a purchase, customers are able to buy at any time and at any place. And to achieve it, as in 1987 the company made a large investment to have the communication network that would allow to continue growing and reaching new goals. Walmart, one of the world's largest retailer is both the largest and most dynamic trade electronic organization and the one that faster grows in the world. In order to provide innovative solutions for personalized shopping experience Walmart created "Walmart Global eCommerce".

This can be achieved by having a team of ones of the best data scientists to handle the large collection of data available as data itself is useless if you do not know how to manage it. Thus, gathering the retail stores and the online it is possible to give power to clients over their experience, because data can be managed not only to understand what customers want and need, but also to know when they want it and how they want the experience.

The largest Walmart's web 'Walmart.com' receives 45 million visits per month and continues to grow each year. And this happens thanks to the continue

work and research on new tendencies and their continuous implementation such as mobile apps and shipping options like 'Home Free', 'Site to Store', 'Pick up Today', 'Ship from Store and Same Day Delivery' that connect physical stores with online ones.

To continue this giant's development one of the strategies is to gain the Chinese market for what entering the country is not enough but needs to create a net which allows supplying the Chinese customer not only through the stores but also online.

China's ecommerce is really extended so the company should be able to offer advantages over others already installed and rooted in the country such as Alibaba or JD.com. For this, the cultural change that integration supposes should be added as well as the need of changes in habits and ways of working that should be carried out if the company really wants to get into this Asian market.

[3] Wal-Mart Steps Up Online Efforts in China as a Key to Future. By THE ASSOCIATED PRESS MAY 31, 2016, 12:15 A.M. E.D.T.

<http://www.nytimes.com/aponline/2016/05/31/world/asia/ap-us-wal-mart-china-online-food-wars.html>

"Wal-Mart has been stepping up its efforts to get a bigger share of China's overall online business, which now has surpassed the U.S. and dominates globally. Last July, four years after buying a minority stake, the world's largest retailer took full control over Yihaodian, founded in 2008. But Wal-Mart's overall online share is tiny in China, and some analysts say it's going to be hard to close the gap with the big Chinese giants like Alibaba and JD.com."

"Shoppers demand top-quality goods online. That's a big difference from a few years ago, when they turned to the Internet to find the cheapest goods, says Wang Lu, president and CEO of Wal-Mart Global eCommerce in Asia, who took over the helm of Yihaodian last year. Yihaodian is also working with Wal-Mart's global sourcing team to deliver South African grapefruit, Chilean apples and other distinctive imports. In fact, 32 percent of its shoppers now buy imported goods, with the top three in dairy, biscuits and snacks like chips and seaweed. They're also focusing on fresh food and dumplings."

"When it comes to online sales, China is "several years ahead ... of the United States," said Wal-Mart's Wang Lu."

Another new form of grocery delivery that Walmart is testing is its marriage with Uber and Lyft companies for delivery service. It is of course to achieve the best service for the client at the least cost for the company for what they have noticed that what is needed is to invest in the last mile delivery.

In fact the competition focuses especially on Amazon due to its high investment to approach the client more each time improving constantly the delivery service.

[4]Walmart partners with Uber and Lyft to deliver groceries

<http://www.ft.com/intl/cms/s/0/d6c6e844-2979-11e6-8b18-91555f2f4fde.html#axzz4AyFDI8co>

"Walmart is raising the stakes in grocery delivery, announcing a tie-up with car-hailing services Uber and Lyft to deliver groceries in a pilot scheme based in Denver and Phoenix."

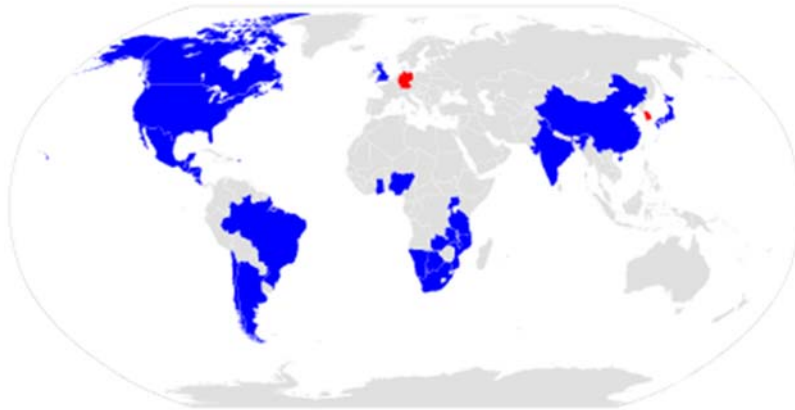
"Walmart has committed \$2bn in a drive to catch up with Amazon, the ecommerce group that has invested heavily in logistics technology. Amazon launched Prime Now more than a year ago in a number of cities, offering members of its annual subscription scheme two-hour delivery on a range of items."

"Walmart's pilot programmes include drones for delivery and for use in warehouses and an annual membership service to compete with Amazon Prime."

Products offered nowadays (2016)

Walmart's operations are organized into three divisions: Walmart Stores U.S. the largest division of the company that consists in three retail formats: discount stores (branded Walmart discount stores), hypermarkets (Walmart supercentre branded) and grocery stores (branded as Walmart Market), Sam's Club which is a chain of warehouse clubs which sell grocery and general

merchandise often in large amounts, and Walmart International. The company does business in nine different formats of retail: large retail stores, supermarkets, general merchandise stores, storehouses, cash and carry stores, membership clubs, apparel stores, discount stores, and restaurants.



Map of Walmart international locations (red, countries where it is not any more).

This above is the situation after July 2006, when Walmart announced his retirement from Germany only fifteen years after its entry, due to high competition with other companies already established in the country which also used the low prices policy what gave no competitive advantage to the company.

Walmart's headquarter is located in Bentonville, Arkansas. The business model of the company is based on selling a wide variety of general merchandise at "always low prices" and refers to its employees as "associates". All Walmart stores in the US and Canada also have employees called "greeters" designated at the entrance of the store, a practice started by the founder, Sam Walton, and subsequently copied by other retailers. The greeters are trained to help buyers and answer their questions.

Walmart focuses on selling more popular products and provides incentives for less popular products' suspension by store managers and as well as for ordering more popular products.

Walmart's strategies and policy generated extensive benefits to the company and ranked as the eighteenth largest public corporation in the world, according to Forbes Global 2000 list.

Nowadays Walmart ecommerce websites Operates in 10 countries:

- United States
- Argentina
- Brazil
- Canada
- Chile
- China
- Japan
- Mexico
- South Africa
- United Kingdom

Thanks to the company's size due to its continued growth, it can serve customers increasingly more quickly and efficiently and this is due to the integrated technology platform used to develop innovative and cutting-edge systems.

And Walmart will not stop there as Walmart Labs developed the OneOps application which was intended to help developers to give customers the most flexible, cost-effective and flexible solution. As a technology 'user' company it follows the trend of publishing platforms and tools that are create internally to improve or build forms to suit to the existing technology. Walmart carries this trend through Walmart Labs and today more than 3.000 engineers within the company use it to create and manage new products. One of the main advantages of this platform is that it works with multiple public or private cloud platforms which means that instead of being the cloud providers the ones that dictate what tools and technologies should be used, OneOps puts full control in developers' hands.

As seen, despite of Walmart's success, first as an offline retailer and later after its entry into the online world, it has never stopped in presence of development and new trends in every age which has allowed this business to be a clear example of how an offline retailer can turn into a software giant.

It can be said that what began as a discount store with the simple idea of selling more for less ended up becoming, 50 years later, the world's largest retailer. Which it is reflected in the incomes received in 2015's fiscal year, with 482.1 million U.S. dollars due to the continuous creation and investment opportunities for development achieved by providing value to customers worldwide. The success of this company cannot be denied before ecommerce

appeared but neither its success could be ensured today without getting involved in this new form of business.

Online model introduction results

Walmart's entry to the online world has led the company facing competitors which were already established and with experience enough in online business. Although the company has been continuously working to be in first place related with development it cannot have the same experience as those such as Amazon which were born in the net. In addition, the online platform exposes each company more openly to the public scene than the offline one since in the online world there is more openness and it makes companies face a greater competition for what it is necessary to be prepared.

[5] Walmart suffers worst sales performance in 35 years

<http://www.ft.com/cms/s/0/cbcb3f9e-d640-11e5-8887-98e7feb46f27.html#axzz4AyFDI8co>

"Walmart reported its first annual sales decline since at least 1980, underlining the stiff challenges it faces competing against Amazon in ecommerce while coping with the impact of the strong dollar and a loss of share at its UK Asda stores."

"For the past 10 years, Walmart appeared to be on the back foot in terms of rethinking its business model for this new landscape. And, as the evidence attests, the impact on it has been negative," Mr Saunders said. "Given that online is where the growth is, Walmart needs to play far harder in that space if it is to retain its retail crown over the longer term."

[6] Walmart's CEO urges employees to reimagine company's future

https://www.washingtonpost.com/business/is-wal-marts-multi-front-fight-enough-shareholders-meet/2016/06/03/52de7e58-2982-11e6-8329-6104954928d2_story.html

“The company is at a crossroads, as its long-held dominance in pricing and convenience has been chipped away at by Amazon and dollar stores. But it’s fighting back on multiple fronts, growing more aggressive with prices and going after Amazon, both online and on the doorstep, by expanding delivery services to cater to shoppers who want to buy anywhere, anytime.”

“The company is spending money on its stores and its staff. It’s in the second year of a \$2.7 billion investment in training and higher wages, with the goal of making Wal-Mart a place people want to be.”

“Changes have been painful at times. The company announced this year it would shutter 269 stores worldwide, about half of them in the U.S. That’s a tiny fraction of its locations worldwide, but was a rare pruning for Wal-Mart, particularly on its home turf.”

“Wal-Mart’s e-commerce growth has slowed dramatically even as it escalates investment there. Global e-commerce sales growth slowed to 7 percent during the first quarter, a notable downturn from nearly 30 percent two years ago.”

[7] Walmart Profit Fell 8% in the 4th Quarter

<http://www.nytimes.com/2016/02/19/business/walmart-q4-earnings.html?mtrref=query.nytimes.com&gwh=5ED3EB4E3CCABF9B8C7321C7619C730E&gwt=pay>

“Walmart’s efforts to entice more web and mobile customers resulted in 8 percent sales growth for the quarter, the company said. But e-commerce sales growth has been steadily declining for the last year, from 17 percent growth in the first quarter, despite heavy investments in the business.

In contrast, Amazon said sales rose 26 percent in its fourth quarter, compared with 15 percent sales growth in the first quarter.”

“This past year has been a year of investment, operational improvement and change, even while we delivered solid growth,” said Doug McMillon, Walmart’s president and chief executive. “We do see an underlying strength in our Walmart U.S. business that wasn’t there a year ago.”

2.1.3. Walmart O2O general resume

Walmart, the store chain with a worldwide presence that decided to expand its presence in the market online store.

The company reached to have a very easily navigable web whose search engine does not have any complications what makes the process simple which favors its success. The company also makes an effort since the online platform was launched to be able to offer a wide range of products by adding new ones frequently.

Despite the company's efforts it still seems to have outstanding challenges in relation to its online platform such as payment problems or the existence of contradictory messages which reduce the trust that customers place on the brand, despite the good range, ease of use and navigation, or the nice design.

To get where Walmart is now this giant takes care of very different aspects some of them are detailed below:

- 1) Once Walmart approves a company as a supplier, this does not mean that this one has its products sale secured, as the chain makes the similar companies compete between them to get the lower price and thus can be the competitive which is today.
- 2) In order to make efficient use of space the company defines the size of the packaging of various products making suppliers fulfil this requirements.
- 3) In order to be able to maintain the dimensional costs, Walmart transfers to the suppliers the responsibility for the products' safety forcing them to have an insurance.
- 4) The desire of offering the lowest prices led the company founder to buy airplanes to also control transportation costs.
- 5) The firm spends as little as possible on advertising because their only concern is that the message of 'always low prices' reaches the consumer.

One of the keys of the chain has always been inventory control. The firm was one of the first big chain to install barcodes on cash registers, connected to a central service with which the company could obtain the consumers' habits, what in turn enables to work with a low inventory level.

This, connected with the rapid incorporation of technological systems to the business and the efficiency of its satellite network, provides a great flexibility that allows the company to get ahead of other large brands on many occasions.

Despite its low inventory and thanks to the company's flexibility this one can react in a quick way. As soon as a store starts being short on a product, the information is captured and sent directly to distribution centers without distortion and in a quick and effective way, which generates a customer sensation that whenever he enters Walmart he knows that he will be able to find whatever he wants. This is one of the keys to achieve the customer loyalty firstly attracted by low prices. And this is achieved thanks to the investment of Walmart in the distribution centers as 80 centers exist to serve to more than six thousand stores spread across the world, working with the purpose of dispatching half of the goods that arrive to the distribution centers in less than 24 hours to their destination.

But in spite of their efforts, this great company has not been able to access and dominate all markets due to various reasons such as not adapting to some markets' needs as the German ones or the South Korean's where the company did not reach the desired economies of scale, or Japan where cheap is associated to low quality. Walmart had also problems at the beginning with Brazil and Argentina where it found it difficult to enter because they were not used to the politics of everyday low prices what finally implied an investment in a major advertising campaign as its aims of lead the market were not being fulfilled. What shows that a good strategy for a particular type of consumer or market is not always valid as the product and business must be adaptable since the type of customer's needs, the preferences and habits can change.

Although the brand's capacity of growth since its creation and its entry into the online world, it seems that in recent years the brand is not reaching the expected results since by the time the company is closing 269 stores around the world of which half were part of the small proximity shops project. Now the company claims that wants to focus on large centers as well as on growing the brand ecommerce and increasing goods collection service for customers, which gives an idea of how the retail world evolves. And the opening of 300 new stores during this next year shows how the company wants to restructure, as though the last setbacks the company remains committed to keep on growing but at this time in a more slow and disciplined way as it is

necessary with such volumes to maintain a strong and positioned company to be able to face the future.

And this can justify the fall in net profit announced for February 2016 - January 2017 period, based on the need of investing in modernizing its stores as well as in the technology necessary to confront the online competition together with an investment which permit wage increases enabling better customer service which would help to enrich the user experience. This, together with the reduction of offered product stock that optimizes inventory management and reduces the circulating capital needed can give the boost the company needs today.

However, Walmart does not have the success guaranteed. To deal with giants of the weight of Amazon, one of its direct competitors in the online platform, perhaps should return to its roots and restore the purchasing social need to achieve this way the satisfaction getting far beyond from the objectivity of prices.

2.2 E-commerce company: Amazon

Amazon is a US ecommerce and cloud computing company services based in the US city of Seattle in Washington State.

Created in 1994 in order to enter the market selling books online after a name change and maybe thanks to it, gained fame becoming part of one of the largest companies in the world of ecommerce nowadays.

Today Amazon has more than 56.200 people employed and it is valued on more than 80 billion dollars and has presence throughout the whole world.

2.2.1. Amazon's origins

Founded by Jeff Bezos in 1994 after leaving his job in Wall Street, this company was launched under the name of 'cadabra.com', with the idea of being an online bookstore, although what its founder wanted from the beginning was it to become 'an everything store'. A short time after it was launched it was renamed with the name which is known nowadays: 'Amazon' and as at that time the searching lists were arranged alphabetically, Amazon appeared at the top of the lists.

With a small investment a new business was getting started focused on what internet was meant to become in future. And in its rapid mass use and expansion which was going to make it have presence in all markets. The business based on offering an online book catalogue created to be really easy for the user to search the stock and the references' availability.

2.2.2. Amazon nowadays

Internet effects over Amazon

The fact that Amazon was born directly in internet offered the company the possibility of expanding in a fast and also economic way allowing a continuous growth over the years. But this fact also has made the company faced the giants of ecommerce, together with the economic instability of

the last years what has make investors doubt with the company's growth capacity, since the company's aspirations were much higher than the goals achieved.

Despite this, Amazon is still looking for its growth and expansion since it still has to conquer a large part of the world market.

[1] Amazon Sales Soared 22% in Holiday Quarter, but Profit Fell Short

<http://www.nytimes.com/2016/01/29/technology/amazon-earnings.html?mtrref=query.nytimes.com&gwh=DE753894250013CB169587CFA96924CC&gwt=pay>

“Revenue for the fourth quarter was a bit lighter than expected, the Seattle company reported on Thursday, and profit was a whole lot skimpier. Wall Street was crushed. The \$24 billion or so that investors had added to the company's market value earlier in the day immediately vaporized, and then some.”

“If Amazon disappointed, that needs to be seen in context. Traditional retailers, and even some e-commerce ones, are suffering. Walmart is closing 269 stores. Macy's is cutting 4,500 jobs and shutting dozens of stores. EBay just dashed expectations for the year.”

“Amazon might be the powerhouse of e-commerce, yet paradoxically has only a small share of the global market — which is one of the things feeding enthusiasm for it. For Amazon bulls, there are so many more worlds to conquer.”

[2] Antitrust in the Age of Amazon.

<http://www.nytimes.com/2016/05/13/business/office-depot-staples-merger-antitrust-amazon.html>

“In the age of Amazon, evaluating antitrust concerns is sometimes twisting government officials into knots. That was made clear this week, when the Federal Trade Commission blocked the merger of Office Depot and Staples, in

part by drawing elaborate distinctions between who buys pens and printer ink cartridges, and how.”

“The impact of online is not uniform,” said Paul T. Denis, a lawyer at Dechert in Washington, who represented Office Max during its approved merger with Office Depot in 2013. “Just because it’s an effective competitive alternative for individual consumers doesn’t mean it’s necessarily an effective competitive alternative for other types of customers.”

“The Federal Trade Commission blocked the merger of Staples and Office Depot, who sought to join forces against Amazon.”

Executive Management strategies

Amazon’s service was so new when it appeared that visits grew progressively with what in a few months reached 2.000 daily visits which were multiplied by 25 in a year, what made the company become one of the most successful networks already in 1997, when to list in the stock exchange was decided, what reported the company a 314,4 million dollar profit, which represented an increase of almost 200% compared to the same prior period. Although its fast succeed the company maintained its stability during the next five years what, looking back, worked though it was an unusual practice in business. Despite it took long to get the first quarterly earnings, its founder’s waiting was rewarded. It is enough to say that according to The New York Times the company reported 12 billion dollars in its worldwide sales in 2012.

Today the company can boast of being one of the largest online retailers in the world that can sell almost everything, from golf carts to dishwashers, CDs or even groceries. But its greatest success was launching the eBook ‘Kindle’ in 2007. And despite the economic recession, perhaps because of it, in 2009 online retail in U.S. grew an 11% according to a March 2010 report from ‘Forrester Research’. Nowadays the company employs 56.200 people and it is valued at more than 80 billion dollars.

Looking back to the initiative, to sell books online could might seem curious considering the development that at that time online purchases had, and also considering the type of product because why people would stop going to a book store to make their purchase by Internet? Although it was not expected, it happened in the period in which the online world was suffering a revolution and new trends were about to emerge. The advantage offered by internet

sales was, besides the price, the choice of a much wider stock than the one found in a small retail store what made internet the perfect platform for the sale of 'hard goods' such as electronic devices or books which did not need to check or experiment with before the purchase.

But that was the beginning as today internet has become a channel through which you can buy anything. And this, of course has to do with the evolution of the online world that has changed from a simple impersonal exchange into an experience the consumer can experiment during a physical store purchase. And this is what many sites searched as they turned their strategy towards consumers who liked to try the product before buying it as they were clients who needed to capture, because while web shoppers need to buy the product before testing it, Amazon as many other sites offer free shipping and return, looking for customer loyalty, as this encourages the purchase. And this is what Amazon does, focus on the client, in addition of course of making predictions of trends to stay ahead of its competitors.

Despite being a business born online this has never meant for its founder to have already all the work done, but work has continued to go hand in hand with new trends or even more ahead of them looking to offer customers an excellent service at all times. For this the company has evolved since its inception from a simple online bookstore to what it is today.

But one wonders how, from the beginning could it be a profitable type of business as all he did was serve as an intermediary with what is easy to think that added an extra cost to process. But at this point the company found a way to select only the books ordered by customers without having to buy books to keep in stock due to minimum orders from dealers, since they forced the retailers to order ten books at least in each order and Amazon did not want to have that stock or invest that money (at least during its beginnings) so the team found a legal vacuum, thanks to which it was possible to have only those books that had been previously ordered. Amazon would order the book needed and nine copies of a strange lichen book that was always out of stock. This not incurred an overrun cost during its inception. These kind of strategies were the ones that made possible the fast company's success.

Strategies remain being the pillar of this company so it continues seeking new and different forms of business that would enable it to continue to grow. Since not always an easy way to achieve the goals is found.

[3] Amazon May Violate India's New Rules on Foreign E-Commerce

<http://www.nytimes.com/2016/04/08/technology/amazon-may-violate-indias-new-rules-on-foreign-e-commerce.html?mtrref=query.nytimes.com&gwh=39265B15D8AF332515C9F5931E781C6B&gwt=pay>

"Late last month, the Indian government issued additional rules governing foreign ownership of e-commerce companies operating in the country. The government added regulations related to pricing and the sourcing of sales on sites that Amazon and several rivals appear to violate. What is more, the new policy was effective immediately, giving Amazon and others no time to comply."

"With a growing middle class and propensity to shop online, the revenue potential there is enormous," said Colin Sebastian, an analyst at Robert W. Baird & Company."

"For Amazon there is a special urgency to get India right after fumbling attempts to crack the e-commerce business in China, another huge emerging market dominated by domestic players."

"One obvious course of action for Amazon is to form more joint ventures with Indian companies to reduce its reliance on any single seller like Cloudtail. Arjun Narayan, managing director of Catamaran Ventures, Amazon's partner in Cloudtail, said in an email that he did not expect any "abrupt business changes" for Cloudtail."

[4] Amazon opening a brick-and-mortar bookstore

<https://www.washingtonpost.com/news/business/wp/2015/11/02/amazon-opening-a-brick-and-mortar-bookstore/>

"Amazon Books is a physical extension of Amazon.com," said Jennifer Cast, Amazon's vice president of books, in a message posted on the company's Web site. "We've applied 20 years of online book-selling experience to build a store that integrates the benefits of offline and online book shopping."

“Amazon may be the largest e-commerce retailer yet to make the leap into physical retailing, but it is hardly the first. In recent years, Bonobos, Rent The Runway, Blue Nile and Harry’s have opened stores, hoping they can engage with customers in a different way.”

[5] Amazon opening its first real bookstore — at U-Village

<http://www.seattletimes.com/business/amazon/amazon-opens-first-bricks-and-mortar-bookstore-at-u-village/>

“There is some irony in Amazon’s opening a physical store. For years, it could undercut physical retailers on price because it didn’t have brick-and-mortar locations. But those stores offered something Amazon couldn’t: the instant gratification of owning an item the second it was purchased, as well as the personal touch of a knowledgeable sales clerk.”

“Jennifer Cast, vice president of Amazon Books, is careful to say the store won’t be stocked solely on data. “It’s data with heart,” she said. “We’re taking the data we have and we’re creating physical places with it.””

“One other way the store, with 5,500 square feet of retail space and 2,000 square feet of storage, is distinct from traditional bookstores: Every book will face out, rather than be stacked tightly with only their spines showing. That leaves far less space for books.”

[6] Amazon To Open Fifth On-Campus, Offline Location At University Of Pennsylvania

<https://consumerist.com/2016/01/12/amazon-to-open-fifth-on-campus-offline-location-at-university-of-pennsylvania/>

“This is Amazon’s store at Purdue, but with the counter and lockers, the Penn version is the same idea.

Amazon has spent the last year expanding its challenge to the existence of college bookstores, opening pickup locations on campuses scattered across the country. There, students can pick up things that they ordered on Amazon,

and... that's about it. A new pickup point at the University of Pennsylvania will also offer study and collaboration space for student use, and will provide same-day or next-day pickup for members of Amazon Student or Amazon Prime."

[7] Some Online Bargains May Only Look Like One

<http://www.nytimes.com/2016/04/14/technology/some-online-bargains-may-only-look-like-one.html>

"As Internet commerce shifts from being mostly about price to being largely about convenience, it is harder for customers to judge if they are getting a good deal."

"It's all part of the bizarre world of Internet "discounts," which let retailers and brands assert that you are getting a stupendous deal because someone somewhere else — exactly where is never explained — is being charged much more.

The root of some of these so-called discounts is a phenomenon known as list price (also known as manufacturer's suggested retail price, or M.S.R.P., and by various other names), which The New York Times documented in a recent article. List price is a largely fictitious concept, promoted by the brand or manufacturer and adopted by the retailer to compel the customer into pushing the buy button."

Products offered nowadays (2016)

Once the book business gained some importance, the company did not stop there, and had the name and a place in the market so it was time to let new ideas see the light reinvesting profits in the company.

In 2002 a series of totally unrelated to electronic commerce services were launched. 'Amazon Web Service' appears offering a commodity cloud computing in beta. In 2007 announcing the end of the beta phase. Over the years it has expanded to other services such as cloud storage (Amazon-S3), Clustering Cloud (Amazon-EC2), Messaging Queue (Amazon-SQS) and other services that allow servicing virtually all sectors which made it one of the world's largest providers of comprehensive cloud computing.

But this did not stop here as Amazon Web Services, the largest of the cloud-computing providers, has a new line based on taking other cloud-computing giants into other country clubs. With what is among giants like Microsoft and Google.

Over time Amazon has also absorbed many companies like Google or Microsoft have done, like Audible (company audiobooks), BookSurge (books dedicated to low demand) or Mobipocket (creating electronic books and reading devices).

Another activity of Amazon perhaps not widely known was the launch in 2004 of the search engine 'A9.com'. The team started a project called 'Block View'. It was a visual yellow pages with photographs at street of shops and restaurants. In fact Amazon took Block View in 2006 and Google Street View not begun until the following year.

In addition, as described in the previous section, Amazon has launched its own products like the Amazon Kindle in 2007, a device for reading electronic books and received a big boost from 2009.

Another launch the company made to seek customer's loyalty was in 2014, when the company launched a virtual currency called 'Amazon Coin' which allows customers to buy applications and games on the website.

This coin was launched as a means of saving because users can get hold of it with 10% discount and will also have more deals at the end of the purchase. And they continue to add new ways to earn and spend 'Coins' in the catalogue. Amazon offers her a further payment for users of the Apps Store although the traditional method still exist.

All this was gradually increasing and making a more stable company but what really made the difference in the development of Amazon was that seek the consumer experience. The aim was to reduce marketing costs and invest that money in keeping the consumer satisfied with the service, as one of the aspects that made the difference was they gave shipping free for the customers. This coupled with the low prices offered by the company and the large number of references makes difficult for customers to overlook, with what everyone ends up being attracted by Amazon.

The real secret of success is to know how to keep customers once they have been attracted by the company. Something that Amazon has achieved through its database and thanks to its management as the platform continues

to offer to the consumer certain products based on their past purchases and searches, which added to the usability of the website, makes the process really simple and rewarding as most likely the customer will find something they like at low cost and in a short time.

One of the aspects which has supported the company has been the rave reviews they have achieved. Since after the initial refusal of retailers to online sales that feared the possible eclipse that these ones could mean for sales in the traditional mode, they realized that there are many customers who feel more comfortable when making a purchase after having been able to make a research on the network instead of talking to a salesperson, so this format only served to increase customer loyalty because they could get honest and direct feedback from other customers.

One of the many recent actions being carried out Amazon in recent times is to get closer to the cities opening new stores in order to shorten delivery times for urban customers as it offers services such as Amazon Prime or Amazon Fresh through which and with an annual payment subscription, the company offers a fast delivery of most products or groceries and that way the customer service is financed. With this if it achieves a large number of subscriptions, there are some who believe that Amazon could become the search engine on the net coming to make direct competition to Google as the company not only has everything one could want but it deliver it in a few hours. This is why some believe that Amazon is making such huge investments in stores that will leave the company in a virtually unattainable situation that is beyond any competition. In fact, the Expert columnist Marc Wulfraat of consulting firm SCDigest MWPVL described how Amazon has launched 43 smaller urban distribution facilities in U.S. last year for deliveries in 60 minutes or less.

Although this could become a problem because once attracted a large number of customers and if you really manage to eliminate all competition, it could be the moment when the change should occur and stop wanting to attract for their low prices and rise prices to grow the profits greatly.

Since 2015 Amazon is in talks to rent 20 Boeing jets charge. And also it is known that Amazon is behind daily cargo flights than before were used by DHL U.S.. And what began as a test with 2 daily flights is expanding to five. Also the company is asking the third party carrier to extend the service to Europe and China. And has been answered 'yes'.

Earlier this 2016 Amazon has acquired 75% of the French company Colis Prive putting itself in direct competition with companies like FedEx and UPS in that country which can serve the company to learn from within the operation of the delivery business and so to develop beyond France.

What will be the next company's step? What the latest investment in transport systems should be? The giant, with all these movements over recent years seems to be claiming that since its inception it seeks is to get the order comes directly from its warehouses to the buyer without any intermediary.

And since 2013 the company is working on the idea of expanding globally to create a global transport network to control the flow of goods between factories as China and India, and customers in New York and London.

This new project has a name 'Dragon Boat' and this network of global delivery seems to have to compete against retailers such as FedEx or UPS, companies which are also struggling to dominate the market using ecommerce as expected according to a report by Accenture and AliResearch that 2020 ecommerce will be up to 1 billion and will have more than 900 million consumers. And this ones maybe would not be affected by the project, but companies like the Chinese group Alibaba which is its main competitor would be harmed if finally Amazon executes this project successfully.

The idea is a really good one especially when taking into account aspects as to solve any problem the client only would need to contact Amazon instead of the various distribution companies that today perform that function, which will greatly facilitate the management. On the other hand the fact of getting rid of intermediaries between the company and customers could have an impact on the decline in product prices.

But this is not all, as the biggest online retailer is now invading the offline market as it is now determined by trends and last year 2015 opened its first physical store in the University Village in Seattle in the US. This store will have between 5.000 and 6.000 titles, all best sellers and favourites of Amazon.com and can use the know-how of the online bookstore, with which can anticipate the stock. And although it is already a winner in the ecommerce it is expected to reach 2.5 trillion dollars by 2018 but despite that ecommerce represents only 10% of the global retail market, still remains to cover a huge part of the market.

But what may be the real reason the company decides to open physical stores? One of the most natural explanations is wanting to offer a more personal customer experience plus reduce shipping costs and integrating the online and offline shopping experience facing the consumers and thus get a brand image even more consolidated.

And it is how companies are following ecommerce trend to offer an integrated consumer experience. In fact, the giant Chinese ecommerce 'Alibaba' also opened its first store in North China earlier this year. This is because as explained in the previous chapter, in the same way that buying online offers the ability to search quickly and comfortable by not having the need to travel, it cannot replace entirely humane treatment and experience during traditional purchasing processes where you can try the product before buying and buying process can end up becoming an experience. And this is what they're looking for today large ecommerce companies like Amazon.

Another reason mentioned is of course the cost savings in shipments and it is not necessary to mention the speed in with which the consumer has his purchase. Likewise, the physical stores can also be used as small stores so that the company can store closer from customers their orders and achieve this way faster and less expensive deliveries.

And of course the data handled by Amazon and the great knowledge the company has of consumers, favour largely this commitment of physical stores since they have the advantage over all others, and not only that but for facing any unexpected mistake or bad taken decisions the company always has the online option to which stock can be diverted.

But not all are advantages as there are also weak points, or at least those to which is necessary to focus on in order to get the maximum performance and benefit and in this case is the investment needed in order to train their workers and ensure not only a good customer service, but being able to know at every time what the customer wants and know how to offer it. Since this simple point can add the value which differentiates the company from the rest or simply put it out of the physical stores' competition but to know that it is necessary to wait and see how the company manages and what happens after removing the brick and mortar store barriers the company had since its creation.

Amazon's earnings have been doubling and even tripling over the years, but for many there is still another long wait as it happened during the company's beginnings, to continue discovering where this giant is really going as since its creation in a garage it has become not only the largest bookstore in the

history of the world, but also the largest online retailer, an international network of fulfilment centres, the fourth most popular tablet maker or the most serious competitor to Netflix in streaming video.

[8] The Echo From Amazon Brims With Groundbreaking Promise

<http://www.nytimes.com/2016/03/10/technology/the-echo-from-amazon-brims-with-groundbreaking-promise.html?mtrref=query.nytimes.com&gwh=50A12C4EF62F175015C6707C8A822AB3&gwt=pay>

“Many of the world’s largest technology companies have spent the last five years searching in vain for the holy grail, a machine to succeed the smartphone as the next must-have gadget.”

“Yet at the moment, the most promising candidate for the Next Great Gadget isn’t made by Apple, Google, Facebook or Microsoft. Instead, it is the Echo, a screenless, voice-controlled household computer built by Amazon — a company whose last big foray into consumer electronics, the Fire Phone, was a humiliating flop.”

“In this way, Amazon has found a surreptitious way to bypass Apple and Google — the reigning monarchs in the smartphone world — with a gadget that has the potential to become a dominant force in the most intimate of environments: our homes.”

“It’s one of the most sold-out things that I see on Amazon,” Mr. Wingo said. “It’s an unusual thing for Amazon to be out of something, but for the Echo, it’s usually in stock just for a couple weeks before it goes out of stock for a few days — so it feels like they’re having trouble making enough of the devices.” Mr. Wingo noted the Echo, which Amazon sells for \$180 only through its own site, was selling for \$200 to \$300 on eBay.

Online model introduction results

Despite Amazon has grown very slowly since its inception this has happened in a safety way step by step, since the company’s benefits are continuously reinvested to get higher benefits and while it is possible to think that success has already been achieved, the fact that it has not, is reflected in the

continuous work and reinvestments on the company itself to continue growing and expanding its horizons.

[9] Amazon's revenue and profit soar

<https://www.washingtonpost.com/news/business/wp/2016/04/28/amazon-s-revenue-and-profit-soar/>

"Amazon's revenue leaped to \$29.1 billion, a 28 percent increase over the same period last year. And it delivered a profit of \$513 million, or \$1.07 a share, a sharp improvement over the \$57 million loss, or 12 cents a share, it recorded during the same quarter in 2015."

"Investors had been watching closely for sales momentum in Amazon Web Services because of its appealingly fatter profit margins. AWS saw a robust 64 percent sales growth compared to the same period in the previous year."

"The e-commerce giant still faces plenty of challenges to its profitability: Its fulfilment costs, or expenses related to shipping, climbed to \$3.7 billion from \$2.7 billion. This is partly why the company is investing in myriad different logistics schemes, including buying its own trucking fleet and experimenting with an on-demand, Uber-like network of drivers that can make deliveries to customers' homes."

[10] It's Amazon and Also-Rans in Retailers' Race for Online Sales

<http://www.nytimes.com/2015/12/31/technology/in-online-race-its-amazon-and-also-rans.html?mtrref=query.nytimes.com&gwh=807DF12415F6A871FA7C651BE213BFC1&gwt=pay>

"Not Amazon, though, which steamrolled through 2015, capturing an ever-growing share of United States retail sales. Of every additional \$1 Americans spent for items online this year, Amazon captured 51 cents, according to a recent estimate by analysts at Macquarie Research."

“And of the expected \$94 billion growth in all retail sales this year — both in stores and online — Amazon took a staggering \$22 billion, or almost a quarter, Ben Schachter, a retail analyst at Macquarie, calculated.”

“It’s remarkable. Amazon is truly in a league of its own,” Mr. Schachter said. “It’s going to be extremely challenging for anyone else to catch up.”

2.2.3. Amazon O2O general resume

Amazon now accounts for 20% of ecommerce in the U.S. but still does not stop there. As described above has gone from selling only books to virtually any product you can imagine, to which must be added the platform for others to sell through their own platform Amazon and it cannot be forget the revolution which marked the launch of its ebook 'Kindle'.

This company’s current success has based mainly on the word of mouth and positive reviews from customers for what it has strained continuously to offer incomparable service to the customers allowing them to make their purchase in a quick and efficient way and with all kind of eases either for delivery or return of any acquisition eliminating costs for the client, which has allowed the customer to experience the traditional purchase, despite of being online, being also able to improve it every day thanks to technological advances.

Amazon really understood from the first moment which were the real customers’ needs and exigencies and has been able to provide it. And its development can suggest the company will continue growing further, analysing some aspects that define this brand from its origins:

- Jeff Bezos still manages and cares for the company as if it had just been created.

On one hand he still takes care of the management of the company despite that it was created over twenty years ago, which is appreciated by investors. In addition Bezos has aspirations and looks forward to continue growing his business and making it even more competitive. While it is true that some of the releases have not been as successful as the expected as happened with the 'Fire Phone', there have been others such as AWS cloud service or Amazon Prime that have given very beneficial results. He is able to risk, involving himself in long term objectives without losing track of them. As without risk there may be no profit.

- Amazon's market share continues growing.

This happens because the goal of Amazon points to a huge market and it is growing at a much faster rate than its competitors. This can be easily seen by watching the company's latest movements in order to become the larger network of transportation and distribution as to entry into the offline world to combine this way both channels and get a strategy that will reap the benefits of their combination, as despite the fact that there is a large number of consumers who already make their purchases online there is still much market share to conquer in the offline world.

- Amazon's clear strategy to win and retain customers

This Amazon's strategy as already has been mentioned is based on providing low prices, offering a variety of products and good customer service.

But to carry out this idea Amazon has needed to make an important investment in warehouses and database programs and thus accelerate as much as possible shipping times to cover the areas with the highest number of stores as possible which offer optimal performance without incurring extra costs which would mean to lose the advantage gained to offer this service.

According to some analysts it could be possible that Amazon Prime could have from 25% to 50% more members in 2020 than at present time. This could be possible just because when it is time to promote a new service Amazon has the ability to extend it as anyone else and is also capable to force its competitors to match it or look for options to remain as direct competition.

But from a company's external point of view and despite the success achieved for so many years, what would happen if this great growth entailed the end of traditional bookselling? Meaning, would this type of business return impossible due to the ability of Amazon to offer prices and conditions unmatched by any other competitor? And the answer is there, the dominance of Amazon with the ebook would transform it in the largest publisher in the world with which all consumers would have to submit to its monopoly.

But Amazon does not seem to want only to focus on selling books, and even though it has been a long way since its inception and does not forget his roots (today approximately a 7% of its revenues come from books) ('*a fascinating study*' of Amazon by George Packer in the New York Magazine) has gone beyond becoming direct competition of nowadays giants such as Walmart, eBay, Netflix and Microsoft, and seeks to create that synergy with the client through a strategy that encompasses the full operation purchase and delivery through the vertical integration to have that way the whole system control and exploit the efficiency of the entire system taking advantage of the possibilities internet and new technologies offer today.

This allows Amazon to continue growing, innovating and bringing new and creative ways to add more value for the end customer as this is its core business, which shows that having been born as an online small company does not mean it has to remain without following different new trends and aspirations.

But to know for sure what will happen and where the company is leading to, it will be necessary to wait to see how all the pieces that make up Amazon today fit together.

2.3 Press-sector company: 'El Mundo' (general information newspaper)

This section first describes the company's and the group to which the activity belongs. This company is a clear example of the offline to online (O2O) transformation. After summarising its current products in the final stages of this transformation, the management process required will be described. The discussions that have worried to many Spanish communication companies before dealing with this issue are mentioned. The O2O transformation strategy that the company has accomplished is described as thoroughly as possible.

2.3.1. El Mundo's origins

El Mundo is a Spanish newspaper established in Madrid (Spain), which was founded the 23rd October 1989 by Pedro J. Ramírez, Alfonso de Salas, Balbino Fraga and Juan González and was run by Pedro J. Ramírez until the 30th January 2014. From April 2015 the newspaper is run by David Jimenez (Barcelona, 1971), named as "a boost to digital transformation process".

The Publisher: Unidad Editorial S.A. is the publishing company, owner of Recoletos Group too, which are owned mainly by RCS Media Group (Rizzoli) that controls the Corriere della Sera, the Italian daily newspaper of largest circulation.

2.3.2. El Mundo nowadays

Internet effects over El Mundo

Methodology: a sequential description is presented below. Firstly the forecasts Spanish industry which were already knew in 2010 will be cited. Secondly clearly negative information is selected, obtained from a competitor sphere, referring to the increasing losses evolution of Unidad Editorial, during the depth-restructuring phase. In third place a summary of the strategy of digital transformation addressed by Unidad Editorial is added; It should be recalled that by that time (and possibly in the next few years) press tried to

make the best possible defence "related to its contents property" to face internet. Finally, the current results of this strategy are included using very recent using the own newspaper information (May 2016).

I. Neutral comments towards El Mundo:

[1] Fernandez Chapou, Maria C., "new media role press: critical review of journalism's future", press room number 125, year XI, vol. 6, www.saladeprensa.org/art970.htm, March, 2010.

This article illustrates the kind of discussions that have taken place about globalization, internet, as well as social, business and cultural changes regarding the future role of the press. More specifically:

A critical review of different considerations around the crisis of printed journalism before the rise of Internet and new information technologies. A brief review is done about some new challenges of the 21st century around the press: their quality, character of industry and business, power as axis of democratic societies and their responsibility as a public service profession. In addition, contrasted focused visions around the future of journalism in paper are made: its disappearance against its transition to find new and more effective and powerful ways. This in order to reach a balanced way of understanding the transition from the traditional journalism to the new media.

The work has a quite pessimistic tone and as a counterpoint similar debates which had been raised before the birth of the printing press or more shortly before the emergence of democratic systems of Government could be saved. In short, what has changed is the paper type, the logistics, and the individual freedom. What should concern us more than academic debate that stirs up, are the new forms of managing digital currency against such complexities.

II. Negative comments towards El Mundo:

[2] El Confidencial: http://www.elconfidencial.com/comunicacion/2013-08-08/el-mundo-multiplica-por-cinco-sus-perdidas-en-plena-debacle-publicitaria_16279/.

"The press distributed 2.000 million in advertising back in 2007. Today performs a desperate fight - and unsuccessful - to keep the threshold of 700 million. A collapse that has destroyed the main national newspapers results while they move to a still uncertain digital model.

According to the individual accounts abide by Unidad Editorial S.A. to the Mercantile Registry, the general information division - which gives shelter to El Mundo - recorded losses of 18.6 million in 2012, a rate which multiplies by five the number of 3,38 million recorded in the year 2011. All in full restructuring of the company, with drastic staff adjustments and significant restructuration expenses".

Executive Management online strategies (2015)

I. Unidad Editorial strategy comments from the Executive Management

[3] Méndez, Xaime, elmundo.es, 24/11/2015,
<http://www.elmundo.es/television/2015/11/24/56536517ca474168628b45ff.html>

This work illustrates reaffirmation attitudes about the digitization process followed, documenting their past performances and some actual results. It starts with a few statements and two specific sections (Digital strategy and Customers):

-The work begins recognizing that Unidad Editorial has initiated a digital transformation process that affects the entire structure focusing on innovation.

- As starting data it provides that in September 2014, 17.8 million of Spaniards already consumed press through their mobile phones and a year after that number increased a 21.3% up to 29.9 million. Through all their best-known headers (El Mundo, Marca and Expansion) the 70% of such amount "already knows us," points his Chief Data Officer (CDO).

-The fundamental challenge of the underway transformation is to become "software companies" according to its CEO and not just a good website is enough, but it should be available in all formats (AMP Google, Facebook InstantArticles, Apple News, Snapchat Discovery, Moments from Twitter, etc.).

-Today's technology transformation centre is: the customer, the reader; the goal "to achieve the best experience possible for everyone when consuming Unidad Editorial's content".

▪ **Digital strategy**

-Strengthening of the Digital Strategy Department (under John Salisbury's direction) making the reader to become the centre of all digital transformation, "... in a total reorganization process improving the design, cleaner and more structured, and the usability".

-Continuous improvement in responsive web design, adaptable to all kinds of devices, improving web browsing, etc., from the new current elmundo.es and expansion.com redesigns.

-"Run faster than the others", "it is like a Formula 1 team, we create the car and the editors are the pilots." Neither Fernando Alonso makes everything on his own nor good cars win races without a pilot"(J. Salisbury).

▪ **Clients**

-Boost the Sales Department and Life Cycle (under Rafael Brull's direction) with the purpose of improving the relationship between customers and product, using the available technological advances, improving this way the added value.

-Improve the new customer acquisition-oriented omnichannel management "do not differentiate between paper and digital capture, and thus, the

employment of online techniques allows us to win paper subscribers" (R. Brull).

-Loyalty integrated model "the main change has been to introduce a life cycle treatment, characteristic of a digital company, as Apple, Google or Amazon do. Do not want to rope the customer in any way, but have it with us in the way he wants"(R. Brull).

▪ **Big Data**

-Big Data activities strengthening (with Pau Contreras as CDO)

-The aim of the Department "Understand the reader and adapt ourselves to them" (P. Contreras).

-Prioritize data protection and "... very rigorous analysis of browsing patterns" to "present appropriate content in a fit format".

-Use of customized content algorithms, with more appropriate network navigation, less invasive, and when possible with different contents for each reader.

-Big Data support to the remaining departments (Strategy, Lifecycle and Advertising) and in all interesting interactions, achieving this way customer's loyalty, and less intrusion (more aligned ads to the reader's profile).

▪ **Advertising**

-Strengthening of the advertising activities (with Jesús Zaballa as CDO) with double orientation (user and advertisers).

-Identify the reader and the use of responsive strategies with omnichannel reinforcement and advertising more aligned with users' profiles, also interesting for advertisers, "to the extent that we know what user wants we will be more efficient" (J. Zaballa).

-"... help the client and see how a commercial interest communication can also be an information product", and for advertisers "Tell me that you need and let us give you solutions" (J. Zaballa).

-Challenges: "control the market not only in volume audience, but also in efficiency; be highly innovative with format proposals and digital solutions; and find a balance between the user and the commercial offer."

In essence is the path that define Unidad Editorial in November 2015, after a certain walk in that direction. Although it ends saying "you have the response on the nearest mobile screen or desktop", he also has it in Unidad Editorial in the efficacy (reaching its objectives) and efficiency (do it in an optimal way) that reaches at any given moment.

Products offered nowadays (2016)

Nowadays unlike the first years since it was founded, this company offers many different platforms to reach the clients which are described below:

1. Paper press

El Mundo daily newspaper distributed in kiosks. The edition current data (print run) can be obtained at

[4] Wikipedia, 2010-13 comparison, about El mundo:

https://es.wikipedia.org/wiki/Anexo:Comparativa_de_periódicos_de_España.

248.000 copies of daily circulation according to

[5] Tirada diaria 248.000 ejemplares 2013, Oficina Justificación Difusión:

https://es.wikipedia.org/wiki/Oficina_de_Justificación_de_la_Difusión.

2. Web site (open and free) in Internet

[6] El Mundo daily newspaper: www.elmundo.es

This platform incorporates advertising (scant) and provides a reasonable way of replacing the paying version (paper), although it does not offer all the titles as this last one.

Pick up paper subscriptions are also offered monthly at the usual kiosk store (BOPS) with up to 30% discounts.

It must be noted the amount of competitors that exist nowadays on the web free of charge. As an example in the SAFARI's news section (provided on Apple computers) different sites appear: CNN.com, CNN in Spanish, El País, El Mundo, ABC, CNET News.com, La Vanguardia, Los Angeles Times, BBC NEWS, Washington Post, Yahoo, Time, as well as an extensive list of additional sectors' and activities' offers access.

3. Internet (payment of a subscription at a low price)

[7] Quiosco Orbyt: <http://quiosco.orbyt.es>

Orbyt kiosk, (since 2010): Digital payment platform for all the products of the group. The newspaper (understanding the paper platform) carries out a powerful Orbyt ads plan. Orbyt includes great diffusion products as Marca (sports newspaper), Expansion (economics newspaper), the daily newspaper El Mundo itself, La Razón, El Periódico, etc. and many other from the business group Unidad Editorial, under headings such as professionals, magazines, books, etc.

Online model introduction results (2016)

Positive comments

[8] BusinessWeek, 12/05/2016, 18:01. Headline: "Unidad Editorial mejora un 3% sus ingresos publicitarios,"

<http://www.expansion.com/empresas/2016/05/12/57349ff5e5fdeac95c8b45f2.html>.

- "Unidad Editorial recorded during the first quarter of the year, the gross amount of 34.5 million euros from advertisement revenue, what represents a billing improvement of 3.7% (a total of 1.2 million euros) compared to the same period of the previous year."

This positive variation is reflected in the digital field which has experimented an increase of 13%, which exceeds four-tenths the activity registered by the

rest of the market. Moreover, the printed press scores a 0.3% rise, which contrasts with the slowdown of - 5.8% registered in the sector. In total, the group scored 70 billion euros in total revenues.

"Thus, Unidad Editorial closed the first quarter of 2016 with a result before non-recurring expense of - 2.3 million euros, an outcome that exceeds 0.1 million the previous year result".

- (same source). Broadcast: "El Mundo consolidates his position as second newspaper at a national level with an average spreading of 139.000 copies, including copies from the Orbyt multi-support kiosk." Its digital edition, EL MUNDO.es, accounts an average of 41,5 million monthly unique browsers, 13.5% more compared to the same period of 2015.

On its behalf, MARCA, the Spain most widely read daily newspaper, records 150.000 average copies. The website MARCA.com achieves 36,5 million unique browsers per month, in line with the numbers of the previous year.

EXPANSION keeps its leadership position as first economic daily newspaper, with 37.000 average copies spread. In the digital section, EXPANSION.com registers an average of 8.6 million monthly unique browsers, which represent an increase of 7.4% related to 2015.

For his part, TELVA stands as the most read high-end magazine of Spain, with an average broadcast of 136.000 copies ".

- Latest news (May 2016): unexpectedly, Management change

[9] Libertad Digital (Spain), Wednesday 25 May 2016 - 17:03, Pedro García Cuartango will replace David Jimenez in the newspaper El Mundo's management, <http://www.libertaddigital.com/espana/2016-05-25/pedro-garcia-cuartango-sustituye-a-david-jimenez-en-la-direccion-de-el-mundo-1276574849/>.

Without more details the change in management (provisional) looks as a consequence of the strong restructuring of staff that was being carried out.

2.3.3. El Mundo O2O general resume

The daily paper 'El Mundo' continues subjected at this time to an adaptation process to socio-economic changes and in values which are taking place in Spain. Below, some effects of the change on traditional means of the mentioned communication (newspapers, especially) are summarized:

- 1) Economic environment development: The deep economic crisis (Great Recession) which began in 2008 gets deeper in Spain due to the lack of recognition of it and of decisive actions in that regard.
- 2) Its effect has a deep impact on demand (consumer income decreases and changes preferences opting for other free media, rather printed or online).

The media was already subjected to a transformation process due to methods of free media competition (radio, TV, internet, Google, etc.), aware of this 'Unidad Editorial' launches online Orbyt platform in 2010 (complementing the paper payment offer (pickup on store) and internet free one).

The deepening of crisis in this sector associated with the inevitable decreasing collection damage the professional structure of their newspapers ('El Mundo'). Currently such restructuring still exists.

For an outside observer, the desperate search for new buyers (the world) seems to have taken a toll on its most loyal clientele. See the recent speech of the E.U. President in this regard.

[10] Expansión.com, 15/06/2016. Titular: "La transformación de la prensa en una España agitada", <http://www.elmundo.es/opinion/2016/06/14/576046cbca4741d3558b4651.html>, in which almost ignores the role of the press in situations like the current.

However the path taken to the online-offline world is laudable, the most difficult problem is to recognize and achieve the optimum balance between both extremes.

Chapter 3

Most important conclusions

The companies listed are well differentiated by their strategies or the market they focused on depending on the sectors they occupied since their beginnings and also the platforms or channels that have been used since their foundation, and the path followed by each one to be today where they are. In this case the companies Walmart, US multinational that started with the offline selling groceries, Amazon whose beginnings were based on the online bookselling and finally the field of journalism, a broadcast medium whose platform was initially offline, have been chosen. Despite the amount of options for study and analyse that can be found nowadays in the retail business world, these have been chosen not only for their logistic strategies and marketing but because they are an interesting example due to the transformation processes experimented over the years to achieve the omnichannel strategy and to become ones of the major bases of trade and business.

3.1 *Offline versus Online*

The need of communicating has always existed, and the fact of introducing technology during the last years does not makes it a different kind of communication. In the early days letters worked, then telephones, after mobile phones appeared, Skype, social networks and so on. Necessity continues being the same. And this happens also in the business world, where after the first revolution, companies have realized the need of synergies between *online world* (digital, based in internet) and *offline* one (all tangible things which are not in internet).

Obviously, the solution does not consist in avoiding technology, but in using it to provide customers a better experience, building personalized offers depending on the current environment and, in short, linking the customer's information to offer the best omnichannel manner. Once more measuring is the key. And achieve clients to be always registered both in the online and the offline, will make possible to adjust the price and shape the experience to suit consumers' tastes.

On one side, from the direct connexion (*offline*) get to *online* using the traditional marketing to create communities, using the advertising spots to invite clients to download and view a document, watch a video or become fan on Facebook to meet new customers and keep in touch with existing ones.

On the other hand, from network connexion (*offline*) the customers' interests must be attracted in internet (SEO, Google Adwords, social networks, webpage) and captivate in *offline*, in person (points of sale, reunion, trade fair), transforming also the *online* traffic in *offline* traffic. This is the consumer's behaviour whom is called ROBO (Research Online to Buy Offline) that uses internet as a mean to research, document and create an opinion to end the purchase in a physical store.

3.2 Advantages and disadvantages

Nowadays digital marketing tools allow reaching a higher number of customers, in a simplest way and with higher possibilities of educating about the product's benefits.

The advantages and disadvantages of *online* and *offline* business can be resumed as follows:

a) Advantages for both parties

For *online* case: 1) the cost is reduced noticeably compared with the *offline* one (as the system feeds itself back in a fast way, forecast is not needed in such a long term as in offline, stocks can be centralized and on the other hand changes occur in such a quick way that storing is not useful or positive). 2) There is no need of stock. 3) There is also no need of a strong initial investment. 4) Professional selling experience is not needed as the whole transaction is done *online*.

For *offline* case: 1) the supply chain is developed in a much more efficient way. 2) Customers also receive a more personalized experience.

b) Disadvantages for both parties

For *online* case: 1) Generates a lower consumer loyalty compared with *offline* and 2) also works with a limited logistic service.

For *offline* case: 1) a higher inventory cost and 2) the need of training the staff in stores including its cost, among others.

Therefore to be successful, the way of doing business must change as customers' habits have changed, and it must be taken into account that *online* clients have a great point of no coincidence with *offline* ones: there are consumers that are much more willing to waste their money in a physical store than making the transaction in internet, because they feel more secure purchasing in the traditional way. So to persuade customers to change their buying process, it must be done either through the products' prices or the proper clients' emotions. And the whole purpose of this new trend is connecting with the customer through any channel and once this happens make sure they become a regular one to end up as a part of the trademark.

3.3 How to take full advantage of *online* and *offline*?

No gap must exist between *online* and *offline*, but the purpose must be clear first, as only when the objective is evident the way to achieve it can be defined.

Some conclusions related to the key aspects for a successful integration of both strategies are the following:

- **Target market**

To clearly define the relevant market is one of the business' key components.

What differences do exist according to the *offline* and *online* target market? In fact different public does not exist as the product focuses on the same target online either offline.

What changes are the tools which exist to reach consumers in a different way. Having a poor number of *online* clients does not mean that the target market purchases only *offline*.

- **Goals and KPIs**

When integrating online and offline tools is really important to fix goals and to measure KPIs that will help to monitor proposed objectives.

What is not measurable is not useful so it is necessary to reach an agreement on the objectives and the key metrics that ensure their measurability and verify its compliance level in order to make any further corrections and optimise their strategy.

Besides, expected results must take into account short, mid and long term as not all the results can be achieved in the same window.

- **Tools**

Once the market is known and keeping in mind the goals to reach, the best means, strategies and actions to reach them must be established.

Online has many different tools but not all of them adapt in the same way to every product and services.

And how both channels do interact must be known as well as which tools match better with each product or service.

- **Institutional identity**

Corporate identity is what brands transmit and show in a continuous way and what is perceived by consumers.

This must have consistency both visual and through the message and must be in line with the objective.

- **Content strategy**

One of the companies' biggest challenges is to create a content related with the brand product including interesting and relevant information and adapted to the target public. So quality contents must be included which provide value to consumers.

It is important to know what information the consumers need and the image to transmit as, although different channels will be used and this needs a different kind of communication, consistency always must exist between the different messages.

3.4 Web control and social networks.

- **Web control**

It is not all about having as many visits and registrations on the website, but what is necessary is to know who they are and how to control their web statistics through different tools.

On the other side *blogs* can help positioning business in a given sector and achieving customers' confidence.

- **Social networks**

As explained above the company must have clear not only the content strategy but also knowing what customers want and need, to know this way what contents to share.

In addition to being willing to share, listen and generate conversation this must also nourish both parts, this means being continuously focused on what public has to say.

Between the maximum benefits that social networks provide being an additional visit channel, the fact that it works as a loyalty tool that helps increasing branding stands out allowing generating external links.

3.5 Email marketing and balance between channels

- **Email marketing**

Nowadays the email is considered the most effective communication channel which generates optimal results in online platforms.

One of the biggest advantage is the possibility of interact in a direct way with the actual customers and the potential ones in any geographic area and has the possibility of segmenting the target audience to increase the effectiveness saving time and costs.

But nowadays with what is called the “Second Revolution” in business sector not everything focuses on *online* channels. Although sales over internet have been increasing during the last years as well as their strengthening as the sales channel, since internet appeared one of the companies’ main fear has been the balance between both channels the *online* and the traditional one.

In spite of the fact that in some industries a channel is stronger than in others their utility and importance nowadays and in the future are unquestionable.

- **Balance between channels**

Regarding the preceding paragraph, not everything works out as it is expected, although *online* channel should offer lower prices (though it requires an important initial investment for the logistic management in midterm is clearly more efficient and has lower costs), it appears that brands fix the same prices in their websites or even higher ones for *online* products than *offline* ones to protect this channel.

But this strategy is not necessarily a wrong one, as the main reason to do so is to increase the sales in the *offline* channel over the *online* ones (depending either on the product or the customer’s profile). But as always, shades exist depending on the sector as this strategy makes sense in some of them, but not in all of them.

In purely *offline* sales channels level, the *mixed* model and the *online* one also coexist, depending on the industry. But the main channel is the one that sets the norm and the minority one the one that supports.

But in the *mixed* channels, what happens? Which would be the most appropriate strategy? This is what must be analysed in each individual case, designing the strategies that can make it easier for the consumers to move in both directions (*from online to offline, or from offline to online*) producing this way the higher revenue.

That means, that what must define the strategy is *consumers’ behaviour* and not the continuous fight between *online* and *offline*. As although the strategy may opt for one of the channels as the main one it is important not to forget that consumers will move in all directions using any channel point where in which he finds.

In this regard the company must be prepared to implement what gives advantage in each case to any available channel. Thanks to the possibility of analysing sales and customers' behaviour, company's actions can allow flexible oscillation from one side (*offline* → *online*) to the other (*online* → *offline*).

3.6 Basic research. Online trading areas

The last summary related to the Equilibrium between channels opens a set of extraordinarily difficult problems. This problem refers the need of modeling the flows' involved in different cases behavior. This in turn requires to characterize mathematically the demand behavior in each case, which in turn requires the use of statistical methods.

Mathematical models used to characterize the different possibilities, offline, online and mixed ones, should be particularized for each type of company, product, logistics, customer relations, and so on.

Mathematical modeling of these issues is a very complex activity but it must also be said that it is the only way in which it is possible to study from a more scientific approach the essential issues on such activities. In this regard, perhaps the most important goal is the search for the optimal operating strategy.

The research presents very interesting works in this regard. Given the nature of this current Master Project, the study called "Gao-Sun model" has been selected as a sample, whose additional interest resides in a powerful bibliography on the subject.

In this paper some of the most important considerations related to what has been expressed here will be drawn, summarizing the approach of what these kind of problems are, and including a brief bibliography of current references used in these kind of *mathematical modeling problems*.

3.6.1. Modeling problem approach

The basic model proposed by Gao-Su (2016) is called slender model.

This model is associated with the implementation of BOPS (Buy Online and Pickup in Store) and divides the analysis into two separate cases: a) Before the BOPS implementation, and b) After the BOPS implementation ".

For each of the cases, the alternative and the rewards (payoff) offered to the consumer are first considered. Done this, the problem statement is laid out to obtain the benefit function in each case. To study the strategic interaction between the retailer and the consumers, Gao-Su uses the notion of rational expectations (RE) equilibrium.

As an example of the degree of detail to which the mathematical models must reach, taking as an example the case "before the BOPS implementation" the problem's specifications or assumptions which are very detailed, specifically Gao and Su (2016), are:

1. There is a retailer who sells a product through two channels, store and online, at price p .
2. In the store channel, the retailer faces a newsvendor problem: there is a single inventory decision q to be made before random demand is realized, so there may eventually be unmet demand or leftovers in the store.
3. The unitcost of inventory is c , and the salvage value of leftover units is normalized to zero.
4. The online channel is modelled exogenously: the retailer simply obtains a net profit margin w from each unit of online demand. This model focuses on store operations and can be separately applied to any particular product the retailer carries.
5. The market demand D is random and follows a continuous distribution F and density f .
6. Consumers choose between store and online channels to maximize their utility.
7. Each individual consumer has valuation v for the product:
 - a) When shopping in store, each consumer incurs hassle cost h_s (e.g., traveling to the store or searching for the product in aisles); similarly,

- b) when shopping online, each consumer incurs hassle cost h_o (e.g., paying shipping fees or waiting for the product to arrive). (There is a key difference between store and online hassle costs: h_s is incurred before customers find and purchase the product in the store, whereas h_o is incurred after customers make the purchase online).
8. To ensure that consumers are willing to consider both channels, Gao and Su (2016) assumes that both hassle costs are smaller than the surplus $v - p$.

With these data as a starting point the consumers' more likely behaviour about buying *online* or *offline* is obtained.

The next step corresponds to the "after the BOPS implantation" case on the same product. One possibility is the lack of the product in the store, so the only option is the online purchase. The other possibility is that the product is in stock and BOPS is feasible; in this case, the consumer chooses where to shop.

When BOPS is a viable option, the consumer faces a choice between three alternatives: buy online, buy in store, or use BOPS. To distinguish between the last two options, we introduce a new model parameter h_b , which is the hassle cost associated with using BOPS. Although BOPS consumers still need to go to the store after making their purchases online, the process is different from buying in store; for example, BOPS consumers do not search for products in store because their orders would already have been picked and packed by store staff.

3.6.2. Results

In summary, Gao and Su (2016) find that BOPS impacts store operations in two main ways. First, BOPS expands the set of products that may be offered at the store. For such products, omnichannel consumers who were previously unwilling to buy in store can be swayed by BOPS to visit the store. These products may originally be online exclusives but are now profitable to bring to retail stores. Second, for products that were originally carried at the store, BOPS leads to an increase in the in-stock probability. In other words, the store channel stocks more inventory, and would consequently end up with more leftover inventory. Excess inventory appears to be an inevitable downside of

BOPS implementations, but despite this downside, BOPS may be accompanied by increased profits.

The work discovers operation regions with different benefits. These results suggest that BOPS should be offered for products with weak store sales but not those with strong records to begin with. In other words, it is likely profitable to implement BOPS on in-store “underdogs” but may not be so for in-store “favourites”.

Finally, retailers with decentralized operations can maximize profits by allocating BOPS revenue between the online and store channels appropriately, and giving full credit to either channel is seldom optimal.

3.6.3. References about mathematical modeling

Specifically Gao and Su (2016), express the following comments about some of the works that cite in their Bibliography.

Some papers study the pricing game, but are more concerned with specific pricing mechanisms, e.g., price matching between channels (Cattani et al., 2006) and personalized pricing (Liu and Zhang, 2006).

Apart from pricing, Tsay and Agrawal (2004) consider firms’ sales effort and find that both parties can benefit from the addition of a direct channel.

Chen et al. (2008) study service competition between the two channels and characterize the optimal channel strategy for the supplier.

Netessine and Rudi (2006) study the practice of drop-shipping, where the supplier stocks and owns the inventory and ships products directly to customers at retailers’ request.

In contrast to this stream of work, the paper focuses on a single retailer who manages both online and store channels, as commonly observed in retail environments today.

Since the base of mathematical modeling is at the background of these problems the first quotes are pointed precisely to these issues.

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Other references, given the nature of this Master Project's objectives, are included in each chapter and studied company.

